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Ontario Hydro Electric J. A. Rose
Inquiry Commission, 1922-1924
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HYDRO ELECTRIC ENQUIRY COMMISSION

QUEENSTON - CHIPPAWA

Estimates and Appropriations

TORONTO, APRIL 3RD, 1923.

W. C. Coe
Official Reporter

HYDRO - ELECTRIC INQUIRY COMMISSION.

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HYDRO - ELECTRIC INQUIRY COMMISSION.

TORONTO, APRIL 3rd, 1923.

P r e s e n t:

W. D. GREGORY, ESQ., CHAIRMAN.

M. J. HANLEY, ESQ., COMMISSIONER.

R. A. ROSS, ESQ., COMMISSIONER.

J. A. ROSS, ESQ., COMMISSIONER.

J. H. W. BOWER, ESQ., SECRETARY.

Q U E E N S T O N - C H I P P A W A .

ESTIMATES AND APPROPRIATIONS.

N. W. ROWELL, ESQ., K.C., Counsel for the Commission.

J. B. ALLEN, ESQ.

I. B. LUCAS, ESQ., K.C.

F. A. GABY, ESQ., Chief Engineer.

W. W. POPE, ESQ., K.C., Secretary of the Hydro Commission, and

H. C. ACRES, ESQ., Representing the Hydro Electric Commission.

GEOFFREY T. CLARKSON : Re-Called. Examined by
HON. MR. ROWELL.

Q--Mr. Clarkson, you told us in the course of your examination that each year, before you presented your report to the Government, you obtained information from the Chief Engineer as to the estimated total cost for completing the work? A--Of the Chippawa Canal, I did, sir.

HON. MR. LUCAS: What volume is that?

HON. MR. ROWELL: I am referring to page 4462. Mr. Gaby, on the 26th March, on page 4462 of his testimony, was asked this question:

"Q--How did you arrive at the figure that you gave to Mr. Clarkson of \$40,000,000, mentioned in his report of April 1920, for the year 1919? A--Mr. Clarkson, while walking down the hall with me in the Commission's office, asked me if I thought we could build our canal for \$24,000,000 to \$25,000,000, to be completed sometime in the spring of 1919, and I told him, No, in view of conditions that existed at that time, and the changes in the past year, that had not met our expectations, we could not do it for that amount of money. He wanted to know how much, and I told him, I could not tell, there were no estimates available. He said, 'Can't you tell me approximately?' and I said, 'Probably sixty to seventy per cent increase in wages, and sixty to seventy per cent added to what is the approximation.' I told him, until we went into the details, I could not give him anything in detail.

Q--Did you know what Mr. Clarkson wanted the figure for? A--For his general report.

Q--For his report to the Government? Did you make any further figures than the amount you have now given us, as the basis for his report to the Government?

A--Not at that time, no.

Q--You were just walking down the hall and said to him, 'Approximately \$40,000,000'? A--Yes, I told him it would take 2 or 3 months to prepare an estimate that would be of any use. He could not wait, and just took what I could give him, which was 60 to 70 per cent above \$24,000,000 to \$25,000,000, that would be a rough estimate of what it would cost without going into details at all. He couldn't wait. We did not prepare anything in detail."

Have you read that? A--Yes, I read it, Mr. Rowell. Now, the facts of the situation are these, that every year at some time, may be two or three weeks or maybe longer, it might be a month, before our report was issued I had word sent to Mr. Gaby through Mr. Guilfoyle, or rather I spoke to him directly, and told him that I would require to know, for the purpose of the report, what the estimated ultimate costs of the canal were. Mr. Gaby had his information and he was able to give me that statement at once, or, if he hadn't the information and this did occur, a delay took place before he gave me the figures. In other words, we approached the matter in a perfectly formal manner. There was no such thing as just passing in the hall and asking what it would cost. It was approached formally, and the amount was given to us formally for the purpose of the report.

Q--And does that apply to every year?

A--Every year, sir.

COMMISSIONER R.A. ROSS: In writing? A--No, sir.

HON. MR. ROWELL: You said if he did not have the figures at the time then there was a delay until the figures could be prepared to give you? A--Until he was able to give us the information, Mr. Rowell, yes.

HON. MR. LUCAS: Just so that we understand that. He never attempted to give you any estimate in detail, Mr. Clarkson? A--No, sir.

Q--Just gave you the gross amount? A--Yes, sir.

Q--His conclusions? A--His conclusions, yes sir.

Q--So that, whether it was long or short, it was his own conclusion on his own figures? A--He was Chief Engineer, who was the person informed, and he was asked for that, and he gave me that amount.

Q--So that he is quite correct in saying that he gave it

without going into any details? A--I could not say that. I assumed that he did go some distance and inform himself, because the matter was an important matter.

HON. MR. ROWELL: Just one question. He says you were just walking down the hall and said to him "Approximately \$40,000,000"? And he says "Yes, I told him it would take two or three months to prepare an estimate that would be of any use. He could not wait, and just took what I could give him, which was 60 to 70 per cent above \$24,000,000 to \$25,000,000, that would be a rough estimate of what it would cost without going into details at all. He couldn't wait. We did not prepare anything in detail." Do you recollect that?

A--I have no recollection of that, Mr. Rowell.

COMMISSIONER HANEY: As a matter of fact, Mr. Clarkson, Mr. Gaby would have known when you were preparing the estimate of the cost to finish that this information would be required?

A--Certainly, sir. He knew what it was required for.

HON. MR. LUCAS: Did you expect him to make a detailed report going into all the details and make a new estimate, or just to give his best opinion? A--No, but I assumed and I took it that he had a fairly accurate knowledge at all times of what those costs were coming to. If his information had not been brushed up to that point so that he could give the figure, time elapsed in order for him to inform himself.

Q--But, as I understand it, as you are putting it it would be a knowledge which Mr. Gaby should have fairly accurately in his head all the time? A--That is what I believe, sir.

Q--And he would give you that whenever you asked him for it?

A--He gave it to me whenever I asked him for it.

THE CHAIRMAN: You expected a statement from Mr. Gaby on which you could rely? A--Certainly, to the best of his knowledge and information.

Q--Then, after that, what did you do to verify it?

A--Then after that I put it in the report, and then, after that, as Sir Adam Beck says, as a matter of courtesy I showed it to the Commission before I submitted it to the Government.

HON. MR. ROWELL: Did you have any discussion with the Commission as to your report from time to time?

A--No, I do not think so. What happened would be that I would send or take the report up and leave it with Sir Adam for two or three days, or take it up and go over it. There were points sometimes that were objected to and discussed. That was about the extent of it.

HON. MR. LUCAS: I will just put a broad question to you; so that there may be no wrong impression going out. Have you now, with all your knowledge of events as they have transpired, any reason to doubt that Mr. Gaby was then giving to you his honest judgment from his general knowledge as to the costs of completion? A--No, Mr. Lucas, I certainly thought it was his honest, fair judgment given at that time; and that is how it was received.

COMMISSIONER J.A. ROSS: And you now still think so? That is Mr. Lucas's point? A--Certainly. I think so, sir.

COL. DOUGALL CARMICHAEL : Sworn - Examined by
HON. MR. ROWELL.

Q--You are a member of the Hydro Electric Commission of Ontario? A--Yes, sir.

Q--How were you appointed to that position about when?

A--November 14th, I think, 1919.

Q--And you have served on the Commission from that date to the present time? A--Yes, sir.

Q--Will you just tell us briefly what are the Executive functions discharged by the different members of the Commission, apart from attending the meetings of the Commission? A--Well, the Chairman is the chief Executive. The other members attend meetings and take part in all the discussions. It would depend a good deal upon the definition of "Executive," to be able to say what Executive duties the other members do perform. From my own definition of the word "Executive" I would say that the other members performed very little or practically none.

Q--Just tell us what your own definition is, so we will know what your point of view is on the matter?

A--The executive is the person who directs, who gives the direct orders to his subordinates, on behalf of the body of which he is the head.

Q--Then, what duties do the other members of the Commission perform between the meetings of the Commission?

A--Practically no duty.

Q--What work do they do, then, in connection with it?

A--Any work the other members do is to inform themselves as to the work which the Commission is doing. That is about all I can say they do.

Q--Try to keep themselves posted on the different matters that are going on, and so on? A--Yes.

Q--Now, tell me when the question of the estimated total

cost of this Chippawa Canal first came to your attention,

of the Chippawa Power Development ? A--The first thing that I can remember definitely is a letter written by the Prime Minister to Mr. Clarkson asking him for an expression of opinion as to the soundness of the Commission's schemes; and the next, of course, was when the estimates for the moneys required for the fiscal year were discussed and coming before the House at the first Session of the present Parliament. That would be in the winter or early spring of 1920.

Q--I notice here, in the Minutes of March 23rd, 1920, "a communication dated March 18th, from the Prime Minister of Ontario, respecting the estimated cost of the Chippawa Power Canal together with the conditions with respect to the water supply of the Canal, and the amount of power it is estimated the Chippawa works shall develop, together with a request for a report from the Commission as to the situation of the Hydro-Electric Radial Railways, with particulars of the cost of constructing and operating the same, was carefully considered and ordered to be filed, the Chairman having interviewed the Prime Minister in this respect."

And then there is a reference to the letter which shows that it was a copy of a letter which the Prime Minister had addressed to Mr. Clarkson, which he also sent on to the Chairman of the Commission. Is that the letter you refer to?

A--To the best of my knowledge, yes sir.

Q--Then do you remember what estimate you got as to the total cost, at that time? A--I am not sure about an exact estimate, but the impression I had then was that the whole work was to cost \$40,000,000. My impression of what I knew then is that the whole work was to cost \$40,000,000.

Q--Who did you get that from? A--It was contained in Mr. Clarkson's report, and I think that I had that from Mr. Gaby as well, the Chief Engineer of the Commission.

Q--Then, when you say the whole work was to cost \$40,000,000, what do you mean by that? A--Well, I mean the complete work, with the total installation. I had no other impression than that would complete the whole work that was in contemplation ^{that} at/time, which I think contemplated an installation of about 500,000 horsepower even at that time.

Q--I see the note in Mr. Clarkson's report is that it is estimated by the Commission that the ultimate cost of the works will be about \$40,000,000, and your view was that the \$40,000,000 estimate was the estimate for the complete installation? A--Yes.

Q--Then you said the next time the matter came to your attention was when the estimates for the year were being submitted to the House. Did you submit those estimates to the House? A--Yes, sir.

Q--What did you do to inform yourself as to the estimated total cost, before submitting the estimates to the house?

A--The estimates, of course, were discussed in the Commission meeting and approved by the Commission before being forwarded to the Government for inclusion in the estimates for the current year. I am speaking now of what are known as the Supplemental estimates; and in informing myself as to points on which the House would require information, I of course discussed the matter fairly fully with the Chief Engineer, so that I would be able to answer any question which might be asked in the House. I have forgotten just what the amount of the estimate of money required for the fiscal year was. One could easily see that; it would simply be an estimate of money required for the Commission's purposes for that year.

THE CHAIRMAN: Would there be any statement in the estimates as to what balance was required to complete the work? A--No, I think not, Mr. Gregory.

HON. MR. ROWELL: I see that on the 18th May 1920, Mr. Gaby addressed a letter to you, Col. Carmichael, in which the following appears:

"With further reference to the estimates of the Commission, I am handing you herewith a few additional details in connection with the proposed expenditures on the various systems, and in regard to the Queenston-Chippawa Power Development."

The item of \$10,500,000 is repeated with the explanation that "This covers necessary expenditures on account of the completion of the Canal and the purchase of equipment including turbines and generators." I am now reading from Mr. Francis's report and I will try and get the letter, which is a seven page letter.

I see that on March 2nd, 1920, the Secretary of the Commission wrote to the Honourable Peter Smith enclosing the estimates of the Hydro-Electric Power Commission for the coming year. It is just a brief note, dated March 2nd: "As directed by the Commission, I herewith enclose you the estimates of the Hydro-Electric Power Commission for the coming year." Then follows the estimates with the item mentioned by Mr. Francis in his report, Queenston-Chippawa Development, \$10,500,000.

Then the letter of May 18th to you from Mr. Gaby, I now have before me. It commences like this: "Dear Col. Carmichael. With further reference to the estimates of the Commission, I am handing you herewith a few additional details in connection with the proposed expenditures on the various systems." Then on the Queenston-Chippawa Development the following appears: "Queenston-Chippawa Development, total \$10,500,000.

"This covers necessary expenditures on account of the

completion of the Canal and the purchase of equipment, including turbines and generators." That is all that appears in that letter relating to the Queenston-Chippawa Development. Then there is a further letter to you, I find, on May 19th. The item re Queenston-Chippawa Development is repeated with this note "This covers expenditure in connection with the head works, canal, generating station and payments on turbines, generators and other equipment ordered and to be ordered during the present year." It is slightly fuller than the previous one. Now, you say you discussed with Mr. Gaby, to inform yourself so as to be able to answer any questions. What information did you get at this time in May, or whatever time you discussed it, as to the estimated cost? A-- I am afraid I cannot recall that now. That was mostly verbal and I am afraid I cannot recall that. What portion of the work this was intended to cover and complete, I would not like to say now.

Q--Did you get any further information as to the estimated total cost of completion? A--I cannot recall that I did, and I would think that if I was told at that time by the Chief Engineer that the work was likely to cost more than \$40,000,000, it would stick in my mind; but I cannot recall that I did.

Q--Then, I find in the Minutes, Col. Carmichael, of April 27th, 1920, a recommendation from the Chief Engineer that Hugh L. Cooper & Company, of New York City be retained to prepare a complete report on the Niagara Development, and this appears in the Engineer's report.

THE CHAIRMAN: Is that Mr. Gaby's report, Mr. Rowell.

HON. MR. ROWELL: Yes.

"I beg to submit herewith a proposition from Hugh L. Cooper & Company, of New York City, covering the preparation of a complete report on the construction

"work at Niagara, which would include an investigation of the general scheme of development, the adequacy and suitability of the construction plant now in use as related to the conditions peculiar to the project, an investigation of the quality and cost of the work done to date, the probable cost of completion, together with all other matters which it may be necessary to cover, in order to meet the public criticism which has recently been directed against Queenston-Chippawa project."

Do you recall that meeting and the question of retaining Hugh L. Cooper & Company coming up ? A--I do not know that I recall that particular meeting. I recall the circumstances surrounding the engaging of Hugh L. Cooper fairly well.

Q---What were those ? A---As I recall it, Sir Adam, who was present in the Council Chamber in the building, the Prime Minister and myself also being present, recommended that an independent investigation such as is mentioned in that Minute should be made, and gave the name of Hugh L. Cooper to the Prime Minister, and gave certain names to whom he may apply for references as to Hugh L. Cooper's ability and all that sort of thing; and the Prime Minister agreed, and set about at once, I believe, applying to those people for the references, it being understood that if the references were satisfactory Mr. Cooper would be engaged. I am not clear now whether the understanding was that Mr. Cooper was to be engaged by the Government or by the Commission.

Q---He was engaged, in fact, by the Commission, I think, and the Prime Minister did make the inquiries, the references were satisfactory, and Mr. Cooper was retained to make the report ? A--Yes, that is my recollection of it; and I think the Prime Minister can show you, when he comes to give evidence, the letters.

Q--Can you recall what the public criticism was that is referred to in Mr. Gaby's recommendation? A--Not particularly. I remember that there was a good deal being said about it being impossible to complete the work within the time which was stated, and, I believe that some people who did not know very much about it were offering a lot of wild criticism as to the Canal not being capable of carrying water at all, and all that sort of thing. I do not remember anything particularly being said about the costs except that they had jumped from ten to forty million dollars. Of course any one who criticised on that score left out of the discussion the increase in the capacity and the installation of the works.

Q--Then, when did you first learn that the estimates were likely to be substantially increased above the \$40,000,000?

A--Well, the first intimation we had of that was when Mr. Cooper's report came in. He indicated in his report that it would cost much more than \$40,000,000. He was put on the work, you understand, and told to investigate the whole thing and give his opinion as to costs and probable costs, and all that kind of thing.

THE CHAIRMAN: Didn't Cooper make two reports?

HON. MR. ROWELL: An Interim Report, on August 7th, and a Final Report in October, I think.

THE CHAIRMAN: Does he give an estimate of the total cost, in his Interim Report?

HON. MR. ROWELL: Yes, he gives an estimate of approximately \$66,000,000, I think it is, for the insulation of the five units. I may say that these reports are now printed as a Government return, of which I have got a copy. His report of August 7th says:

"If the work is completed according to your present plans using 15,000 c.f.s., we estimate the cost will

be as follows:

"(A) Amount of H.P.	258,000
Number of Units	5
Total Cost	\$66,423,418.00"

THE WITNESS: What page are you on ?

HON. MR. ROWELL: Page 16 of the printed report, which includes the Johnson, the Stuart & Kerbaugh, and the Cooper reports.

Then that is accompanied by a statement in detail showing how the amount is arrived at, found on pages 20, 21 and 22. Is that what you refer to, Col. Carmichael, as being the report which brought to your knowledge the probability of a substantial increase in the estimates? A--Yes, sir.

Q--Then, what action, if any, was taken by the Commission when this report was received? A--It was decided that another firm of engineers should check Mr. Cooper's estimates and investigation; and I am not sure whether at the Commission meeting Sir Adam told us that he had discussed that with another firm of engineers and recommended to us at the Commission meeting, that they be engaged or not; or whether the discussion took place first in the Commission meeting and it was left to him to suggest; or whether he had already discussed it with an engineering firm and recommended them to the Commission. I cannot recall now.

Q--But in some form or other, another firm or other parties were obtained to report on the work? A--Yes.

Q--These other parties were whom? A--Stuart & Kerbaugh.

Q--Then when did you get their report? A--I do not recall that exact date. I see in the first printed form it is dated September 30th. Whether it was placed before the Commission at or shortly after that date, I do not recall.

Q--We have been told here of a conference, held sometime

in the autumn, on the works at Niagara Falls, at which the Prime Minister and you were present and other members of the Commission. Do you recall that? A--Yes, I recall that conference.

Q--Will you tell us just what took place there?

A--I do not recall the exact date. Perhaps Mr. Pope or Mr. Lucas can tell me the date; they were present.

HON. MR. LUCAS: Near the end of October, I think.

THE WITNESS: My impression is that it was not that late, but I do not recall the date.

HON. MR. POPE: It was in October, anyway.

THE WITNESS: Anyway, the Chairman and myself and Mr. Lucas and, I think, Mr. Pope, and Mr. Gaby and the Prime Minister arrived at Niagara Falls at about noon. We spent that afternoon, as I recall it, going over the work; and that evening a conference was held at which, I think, Mr. Lea of R.S. Lea, of Montreal, was present, and Mr. Kerbaugh and Stuart were present; and the Cooper report was discussed pretty much in detail. Mr. Johnson, who is mentioned here at various times, was present also. As I say, the Cooper report was discussed in detail, and it was decided, on the advice of these engineers, that Mr. Cooper was wrong.

THE CHAIRMAN: Too high? A--That his figures were too high, and that certain conclusions at which he had arrived as to the carrying capacity of the canal and its suitability were wrong also. And I think his conclusions as to the level of what is called the Grass Island Pool were said to be wrong also. And it was decided to withhold the report from publication because of the effect that it might have upon the public, that it would tend to discredit or cause loss of confidence in the work on the part of the public. So it was decided to withhold it from publication.

Q--Did you have any discussion on this occasion as to what was the fair estimated total cost of completion?

A--I think we did, Mr. Howell, but I cannot recall clearly enough to make any very definite statement about it.

Q--Then when did the question of the estimated total cost of completing the canal come before you again, in any form, that you remember distinctly?

A--The matter, I am quite sure, was discussed in the Commission, and probably between the Commission and the Government, following Stuart & Kerbaugh's report; but leaving that out of it, the first distinct recollection I have is when the estimates were before the House at the following session, the session of 1921. I know of course, that Stuart & Kerbaugh's report was received and it was decided that it was approximately correct, but I am not clear as to the date on which it was received, and all that sort of thing, so I am leaving that out of it.

Q--On whose advice was it decided that it was approximately correct? How did you reach that conclusion?

A--I believe that Mr. R.S. Lea, of Montreal, was consulted, and Mr. R.D. Johnson, who was consulting engineer on the work, and Mr. Gaby, and Mr. Acres.

Q--I notice, in the reports which are submitted, Mr. Lea and Mr. Johnson speak as to the character of the canal rather than the cost at this time. I do not recall that there is anything in their reports as to cost at this particular time. Do you remember whether they discussed costs or not?

A--My impression is that they did, but I would not like to say definitely.

Q--If it was discussed, your impression is that all were agreed, as you have stated, that that was the fair estimated cost?

A--Yes.

Q--Then what is the next step ? A--Those estimates were presented to the House, Mr. Gaby, in the meantime, having added approximately \$5,000,000 for contingencies and, as he explained later, for interest.

Q--Let us take it in chronological order. You say \$5,000,000 were added before the estimates were submitted to the House ? A--Yes.

Q--On whose recommendation was that \$5,000,000 added ?

A--On the recommendation of the Chief Engineer, Mr. Gaby .

Q--What for ? A--Contingencies and interest. It brought the total amount for the completion for the first five units up to approximately \$55,000,000, a little under \$55,000,000. And, in discussing the estimate of money required for the current fiscal year, the question was asked in the House, as the appropriation was being voted, would it be sufficient to complete ? And, before answering the question, I had a further conference with Mr. Gaby, and I distinctly recall that he gave me an assurance and told me that I would be justified in giving that assurance to the House, that the \$55,000,000 would complete the first five units. When the estimates next came up for discussion I gave that assurance to the House and the estimate passed.

Q--That was sometime during the session of 1921?

A--Yes.

Q--Then, when did the question of any change in the amount of the estimates next come to your consideration, or when were you next called upon to consider it ?

A--Before leaving that, I should say that there was an amount of \$876,000 included in what we call the main estimate, that is the estimate for the following year. That brought the total estimate up to the \$55,000,000.

During the summer, we were having a good deal of labour

trouble, and the labour unions were demanding shorter hours, higher pay, and so on, and it was apparent that the work during that summer was very costly; and naturally we were all concerned as to the outcome; and I think we were all keeping in fairly close touch with the actual expenditures; and during the late summer or early autumn it became apparent that the work could not be completed within the estimate.

THE CHAIRMAN: That was in 1921, was it? A--Yes.

COMMISSIONER HANEY: Was the strike in 1920 or in 1921?

A--There was a strike in 1920 and there was a threatened one in 1921, and it seems to me that we averted it by making certain changes.

THE CHAIRMAN: You cut the wages down in 1921?

A--Yes, and perhaps they would bear it. There was a shut-down for about two weeks. My impression is that we averted a strike by a shut-down and a reorganization of the work, cutting out the night shift and going back to the ten hour day shift. I remember having a discussion with Sir Adam in his private office in which we went into this fairly carefully. I am not sure whether any one else was present or not; and He told me that his own opinion was that the cost of \$55,000,000 would be considerably exceeded.

Q--What action, if any, did you take? A--I remember, I was keeping the Prime Minister in touch with all this; at various times, that the work was proving more costly, and my impression was that we could not keep within the estimate; and, after my discussion with Sir Adam, of course, I informed the Prime Minister that the estimate would be very considerably exceeded. I am not clear now that I named any figure, but if I did it would be about \$10,000,000 that I named, that they would exceed by \$10,000,000 or under.
(Page 4730 follows.)

Q--If you named any figure, where did you get it ?

A--It would be from Sir Adam himself, most likely, or possibly from the Chief Engineer.

Q--Did anything follow ? We have been told of a conference between the Government and the Commission in reference to it -- what was the next, in order, I want to follow the events chronologically ?

A--In the attempt to keep the costs down, the work was reorganized in September, one shift was cut away, and the day shift lengthened I think from eight to ten hours -- it was lengthened, at all events -- and an attempt was made to keep down the costs as much as possible. It was recognized by practically everyone that the estimate would be very considerably exceeded, and in October, I think, -- the date is stated in this report of Mr. Francis' dated October 12th.-- a conference was held at which all three members of the Commission were present, Sir Adam, Mr. Millor who had recently been appointed, and myself; and Mr. Gaby was sent for from the Council Chamber by Sir Adam himself, and he arrived shortly afterwards, when all this was very fully gone into.

Of course, I do not recall very much of the discussion that took place, but Sir Adam insisted that the increase in the expenditure could not be helped, and he undertook, before the conference broke up, that he would supply the Government with a statement which would justify the increased costs of the work up to that time.

Q--Is there anything more that you can recall about that conference, and the understanding, if any, arrived at when the conference broke up ?

A--Well, when the conference broke up, it was the understanding that Sir Adam Beck undertook, on behalf of the Commission, to justify the increased costs. As I recall the conference itself, Sir Adam had asked for a conference with the Prime Minister, and I think I arranged

the conference, and the intention in coming together was to discuss the submission of some Hydro Radial Bylaws, I think, in the Niagara Peninsula. The Prime Minister decided to have the whole Cabinet present at the conference, and he asked that all the Commissioners be present also because he wanted an explanation of the increased costs of the Chippawa Development;^{and} as I recall, the subject of Hydro Radial Bylaws was not discussed that night at all.

Q--When the Chairman asked for the conference, was it in connection with the Chippawa Development, or Hydro Radials?

A--In connection with Hydro Radial Railways.

Q--And the discussion you have mentioned took place.

Now, it was stated here the other day, Col. Carmichael that on this occasion a report was presented to the Government, dated October 7th 1921, showing how the increase in the estimate came about. Have you looked over that report of October 7th 1921? A--I have seen it since it was put in as evidence, yes. This was the memorandum that you and Mr. Lucas discussed last Wednesday.

Q--When did you first see that memorandum, Col. Carmichael?

A--When you showed it to me on Wednesday, to the best of my recollection, that is the first time I saw it.

Q--Was that memorandum handed to the Government at that conference? A--No, I do not think so, Mr. Rowell.

Q--Was it ever submitted to the Board?

A--Not to my knowledge.

THE CHAIRMAN: Was it read at the meeting that you have referred to?

A--I cannot recollect that it was; there have been many discussions with Mr. Gaby, but I have no recollection of that memorandum being handed in whatever.

EXHIBIT NO. 48:	Filed by	:	Memorandum to Sir Adam Beck,
	: Hon. Mr. Rowell	:	Oct. 7th, 1921, re estimates
	: April 3,	:	and cost of Queenston-
	: 1923.	:	Chippawa Development.

HON. MR. ROWELL: (After reading Exhibit No.43, asked to have incorporated in the notes the concluding paragraphs of the Exhibit :)

" Following is a summary of increased costs due to the rush schedule :-

Labour cost	\$3,418,000.00
Freight & Exchange	1,100,000.00
Stores and repair parts	1,000,000.00
Concrete plants	425,000.00
Extra trackage	352,000.00
Extra fuel costs	100,000.00
Extra cost of sand	100,000.00
Auxiliary service	<u>300,000.00</u>
Total	6,795,000.00

The general conclusion is that the estimates made previous to July of last year were not sufficient to absorb the set-back due to the strike of last year and the resultant wage increase and abnormal requirements of the double shift schedule.

The two main items which contributed to the failure of these expectations were,

- (1) The impossibility of making the night shift operation as efficient as the day operation, and
- (2) The unavoidable delay in getting the steam equipment into operation and its failure to make good as compared with the electrically driven plant."

That report does appear to give the information from the standpoint of the Chief Engineer of what, in his opinion, was the main causes that contributed to the increased expenditure.

I find that following the meeting you have

described, between the Commission and the Cabinet, at which you said the Chairman promised to prepare a report, you wrote to the Chairman some two or three letters, and I just want to ask a few questions with reference to those letters, Col. Carmichael. The first letter is from the Prime Minister to you; have you got a copy of it before you, Col. Carmichael?

A--Yes.

Q--I notice the letter states :

" You will recall our conversation of some three weeks ago in which you pointed out to me the fact that the estimates for the first five units of Chippawa were certain to run to a very considerable extent beyond those submitted by you to the House last April. You will further recall the meeting which was arranged between members of the Commission with the Chief Engineer Mr. Gaby, and the full Cabinet, in which the entire situation was very fully discussed and a promise was made by the Commission that a full explanation of the increases would be submitted to the Government in the course of a few days. This explanation has not yet arrived, and as the Government is intensely interested, I would urge that you, as representing the Government on the Commission, should immediately take the matter up and see that this is done,"

You recollect ~~writing~~ that letter ? A--Yes.

Q--Now, the Government was pressing for an explanation of the increases. Then this clause appears :

" I need not point out to you the seriousness of the situation. You were assured by the officials of the Commission, and in turn assured the House and the Country some seven months ago, that the estimates then submitted to the House for their approval were

"ample for the completion of the first five units. During the period which has elapsed since the voting of these estimates, conditions generally have been such as would lead to the reasonable expectation of a reduction in cost rather than an increase over estimates made at that time. The fact that not only has ^{this} not been the case, but that in spite of these conditions, the estimates have been increased to an amazing extent, is, to put it very mildly, a matter of great alarm to the Government and constitutes a condition which we cannot ignore. I trust that you will take this matter up energetically and see that reasons for this condition are immediately pleaded before the Government."

That letter is dated November 10, 1921. Having received that letter, Col. Carmichael, what action did you take upon it? A--I am not sure whether I took it up verbally with the Chairman, or enclosed it in a covering letter and sent it to him.

Q--I think the correspondence would indicate that you sent it in a covering letter to the Chairman; I haven't got that letter before me. There is a letter from the Chairman dated November 18th. A--Yes, that is a letter from

the Chairman to myself in which he speaks of a communication of mine of November 10th enclosing a letter from the Prime Minister of the same date; so apparently I passed on a copy of the Prime Minister's letter to him.

Q - -Did you have any discussion with the Chairman, or the Engineers of the Commission, in reference to the matter, before the receipt of this letter from the Chairman of November 18th? A--Not that I recall, Mr. Rowell, although it is possible that I did.

Q--I notice in this letter of November 10th the Chairman

states :

" As you are aware, the engineers of the Commission who will be required to prepare the report referred to, have been engaged during the last few months on most important work of preparing the report and plans of the development of the St. Lawrence River for presentation to the International Joint Commission, which Commission has on two occasions extended the time for the receiving of such report and the last date of delivery expired on Monday of this week, when the Commission's report was delivered."

Did you, at that time, know of the existence of this report Exhibit No. 43 dated October 7th 1921 ?

A--No, Mr. Rowell, I take it, if I had information of that, or if it had been in the possession of the Government, it would not have been necessary for the Prime Minister to have been writing those letters, because I think he would have agreed that that report covered the points on which he wished to be informed.

Q--Then, there is a further letter from you to the Chairman dated November 29th, in which you state :

" I regret that so much time ^{now} has been allowed to lapse since this matter was taken up with the Cabinet and the explanation which was mentioned in correspondence promised. I think it is now nearly six weeks since the matter was discussed with the Cabinet and an explanation of the large increase, approximately ten million dollars (\$10,000,000) required to complete the first five units, was promised by the Commission to the Government. Part of this money has already been advanced by the Government to the Commission and the Commission is now requisitioning on the estimates of the fiscal year 1922.

" I consider it extremely urgent that all the explanations and the reasons necessary should be forwarded to the Government without delay, and I regret being compelled to think that the matter has not been treated with the consideration which its importance warrants."

What was the occasion of your writing that letter, Col. Carmichael ? A--I am not sure whether the Prime Minister had written to me again, or whether he had taken this up with me verbally; it was following up some communication, verbal or otherwise, I had with the Prime Minister as to the non receipt of the reasons which had been promised by the Commission.

Q--You state here : "I consider it extremely urgent that all the explanations and the reasons necessary should be forwarded to the Government without delay, and I regret being compelled to think that the matter is not being treated with the consideration which its importance warrants."

Does that letter fairly express your view and feeling at that time ? A--Yes sir.

Q--Did you have any discussion with the Chairman about it, as you recall ? A--I do not recall definitely, but my impression now is that we discussed this matter practically every time we met; I do not recall any particular discussion about it at all, of course, it is a long time ago.

Q--What was your attitude throughout at that time ?

A--That the Government should be furnished at the earliest possible moment with the explanation which had been promised at the conference of October 12th.

Q--I notice that the Chairman replied to you on November 30th, in which he says :

" I am in receipt of your letter of the 29th inst., and regret, as you do, that it has been impossible to

"give this matter the attention it demands at an earlier date, but I do not feel that you are justified in stating that the matter has not been treated with the consideration that its importance warrants. You know, as I do, that the data and information we are requested by the Government to furnish can only be computed by three or four particular members of the staff and these men, as I informed you in my letter of the 13th inst. have been working day and night and I may say, as I presume you know, that there is not an organization that has been more constant in working overtime to overcome their great difficulty and without holidays of any kind during the past year or more, and as the matter is of great importance I think that it is only fair that they should be free from work that would interfere with their going into the situation fully and thoroughly."

Did you learn, at this time, from any source, that Mr. Gaby had prepared a report on the matter -- this report of October 7, 1921? A--Not to my recollection, no sir.

Q--Then you sent that letter on to the Premier, apparently, and the Premier wrote direct to the Chairman of the Commission on December 8th. Were you aware that the Prime Minister had taken this up direct with the Chairman of the Commission following this other correspondence?

A--I am not sure I know anything about that letter.

Q--We will ask the Prime Minister about that.

Then I find there is a letter of December 8th from Johnson & Lea to the Chairman of the Commission, in reference to the quality of the canal.

THE CHAIRMAN: That is December 8, 1921.

HON. MR. ROWELL: December 8, 1921; did that letter come to your attention, Col. Carmichael?

A--I presume it did.

Q--Do you recall anything with reference to it ?

A--No, I do not recall definitely.

Q--The Chairman replied on December 12th saying that an answer would be in the hands of the Prime Minister during that week, and the letter concludes : "while it will be found to be self explanatory, I shall be ready to take up the matter personally with you, whenever desired."

Then follows a letter of December 17, 1921, which is the answer of the Chairman, which reads as follows :

" The estimate made in the month of October 1920 of the cost of completing the Queenston-Chippawa Development was confirmed by the examination and expert opinion of Messrs. Francis Lea Stuart and H.S.Kerbaugh, Contracting Engineers, in collaboration with Messrs. R.D.Johnson and R.S.Lea Hydraulic Engineers. The qualifications of each of these engineers were submitted to you at the time. The estimates submitted by the Commission to the Government on 27th January 1921, for the appropriations required to carry on the work for the completion of the first five units at a total cost of about \$55,000,000 were based upon actual estimates of the same engineers.

The work was carried on under the direction of the engineers of the Commission and the supervision of Messrs.Stuart & Kerbaugh with the advice of Messrs.Johnson & Lea. Difficulties arose in the operation of the new construction plant. The character of the rock excavation changed. The schedule for the completion of the work by the first of September caused unprecedented difficulties in the handling of labour and plant. Further there were abnormal accidental contingencies, increases in the price of cement and

"sand, extra plant to be purchased and obstruction and congestion of the other plant and labour due to the late delivery of the steam shovels and the defective operation of these steam shovels and of the canal lining plant, as well as other reasons detailed in the enclosed report of Messrs. Stuart & Kerbaugh.

These matters arose gradually and it was impossible to see, and no one was aware until the end of June, that the estimates might be exceeded. When this possibility arose an investigation was undertaken and a report was submitted to you on 12th October last."

It was suggested on Wednesday last that this memorandum from Mr. Gaby to Sir Adam Beck of October 7th 1921, Exhibit No. 48, was submitted to the Government on October 12th, what do you say as to that? A--I have no recollection whatever of it having been presented to the Government, and my impression is that it was not.

Q--How did Stuart & Kerbaugh come to make a supplementary report on the increase in the estimates?

A--As I remember it, when their report was received it was intimated that the task of setting out the reasons for the increase had been referred to them because they were familiar with the work, having already inspected it, I believe they paid periodical visits to see how the work was coming along, and they, together with the Chief Engineer, were to prepare this list of reasons for the increased cost.

Q--When did this take place? A--I cannot say, I am not clear whether it was done by the Commission as a whole or by the Chairman.

Q--You were writing a series of letters pressing for information; the Chairman had given an explanation, and

reasons were contained in these letters; did the Commission at that time take up the question of getting a report from Stuart & Kerbaugh with regard to the reasons for the increase in the estimates? A--I do not recall that they did, Mr. Rowell, it is possible they did, but I do not recall it.

Q--We do not find anything in the Minutes on that point. Well; when did it first come to your knowledge that Stuart & Kerbaugh were reporting on the causes of the increase in the estimates? A--The first time I have any recollection of is when this letter was received by the Government, which, I think, enclosed their report.

Q--That is, Stuart & Kerbaugh's report? A--Yes.

Q--That is the first you recall? A--That is the first I recall that I knew they were engaged upon it.

Q--Did the Chairman's letter, and the explanation of Stuart & Kerbaugh which accompanied it, satisfy you or the Government? A--It did not satisfy the Government; I do not remember, at the time, whether I considered it satisfactory or not.

Q--The Prime Minister subsequently wrote saying it was not satisfactory -- but we will take that up with him.

What action did you take in connection with the matter? A--During the early part of 1922, I recall that it was discussed several times at Commission meetings, and as I recall it, without any very satisfactory conclusion being reached. Following that, of course, the Commission had applied for a special warrant which was refused, for various reasons, by the Government, and an interim vote was presented to the House before the Budget Debate of the Session was concluded, quite early in the Session an interim vote was put through the House, to provide for part at least of the extra cost.

Q--You say that the Treasury Warrant was refused ?

A--Yes.

Q--And an interim vote was taken -- why ?

A--The reasons why the Treasury Warrant was refused are set out in the Prime Minister's letter of February 8th. I think he states it was because it was not in strict compliance with Section 243 of the Power Commission Act; but I am not very clear as to that. And in order that the House, which was then in Session, should have an opportunity to pass upon this advance of money, it was decided that an interim vote would be put before the House.

Q--The Government, instead of dealing with it by Treasury Warrant, submitted the matter to the House, and took the vote of the House ? A--Yes.

Q--What further action did you take ?

A--When the matter came up for discussion in the House I made a statement as to the cost of the canal up to date, I reminded the House of the assurance I had given them at the previous session, and I told them I had that day placed my resignation in the hands of the Prime Minister.

Q--What reason did you give ? A--The reason I gave at that time was, I considered that the Government had not been fairly dealt with in the matter, they had been assured that \$55,000,000 would complete this portion of the work, and it was found that that estimate would be enormously exceeded, and I considered, as far as I was concerned, I was placed in a very false position, and the only amends I could make would be to resign from the Commission, or give the Prime Minister the opportunity of accepting my resignation.

Q--I have here what I am told is a stenographic report of what you said in the House. You had not prepared any statement to make in the House before you made it ?

A--No.

Q--You just spoke in promptu. Perhaps you can recall whether this correctly sets out the vital part of what you said :

" I feel that in view of the statement which I made to this House toward the end of last Session that some statement of my own position now is required. The Honourable gentlemen of the House will remember that at the end of the last Session of the Legislature when the estimates were being considered and voted I made the statement that to complete these five units of the Queenston-Chippawa Development a total sum of \$55,000,000 or approximately that would be required, and it was then voted.

It appears that these estimates have been largely exceeded. I think I am correct in saying that by the time these first five units shall have been completed in March or April 1923 the sum of approximately \$69,000,000 will have been expended to bring the work to that state of completion."

I assume \$69,000,000 is without deducting anything for salvage ? A--Yes.

" That, of course, applies only to the first five units, the strictly canal section of the work completed, sufficient of the power house completed to house these five units and the earth and river sections sufficiently dredged to carry water for these five units. That, as you can see for yourself, is an over-run of approximately \$14,000,000."

Q--Do you recall as to whether that formed part of your statement ? A--Yes, that is approximately correct; I may not have used those exact words, but that is the effect of it.

" Now, when this project was commenced it was intended to be a canal to carry approximately 6,500 second feet of water and develop 100,000 Horse Power and it was intended to finally instal sufficient equipment to develop 180,000 Horse Power. The cost of the canal with an installation for 100,000 Horse Power was to be \$10,500,000 and the authority to construct that was given in the Niagara Power Development Act of 1916. In looking through the reports of the auditor, Mr. Clarkson, which I believe commenced in 1917, I find that at the end of October 1917 there had been expended on the project \$2,376,789 that at the end of October 1918, the expenditure had reached \$7,550,970 and in Mr. Clarkson's report of 1918, these words occur,

'It is estimated that the sum of approximately \$17,500,000 will be required to complete', so that at that time the total expenditure was estimated at \$25,000,000. At the end of October 1919, there had been expended \$14,713,970 and the auditor makes this statement :

'It is estimated that the ultimate cost of the works will be \$40,000,000'.

Now, I do not know up to that time what figures had been given as to the ultimate cost of the works other than I see here in the auditor's reports."

Q--You say, "I do not know up to that time what figures had been given as to the ultimate cost of the works other than what I see here in the auditor's reports." What did you refer to there, Col. Carmichael ?

A--To Mr. Clarkson's annual reports as to the expenditure of the Commission -- they are a sort of 'Ready Reference.'

Q--You did not become a member of the Commission until November of 1919 ? A--Yes.

"I find that at the end of October 1920, approximately \$28,846,000 had been expended; at the end of 1921, \$57,520,000 had been expended and now as at the end of January 1922, \$61,083,215 has been expended on this work and the engineers of the Commission expect that to complete the five units on or about April 1923, it will be necessary to expended a total amount of \$63,365,603 with an estimated salvage value on construction plant, buildings, etc., costing \$8,977,600, to be recovered during the period in question \$3,500,000 or a total net expenditure of \$65,365,603."

Q--Do you recall making that statement? A--Yes.

" Now, my own position is simply this, that I gave these figures to the House last Spring in good faith. They have been exceeded enormously when it came to my attention last Autumn that this estimate was sure to be exceeded I brought that fact to the attention of the Government and told the Prime Minister that my feeling was that the Commission had either been inefficient or had been dishonest in its dealings with the Government in regard to this development. I could not see that any body of men working on ^{construction} such as this could not have been fully enough seized with the quantity of work to be done that they should need to exceed their estimates by such an enormous amount of money, and I told the Prime Minister that in view of that he was entitled to have my resignation from the Commission as Government representative on the Commission. I still feel the same way. I cannot see that when an estimate has been exceeded to such an enormous extent - -- and I want to make this clear, in that estimate of \$29,000,000 which was required to

"complete the work, at the end of last Session -- which had been compiled by ^afirm of engineers, Stuart & Kerbaugh, there was included an amount of \$3,600,000 for contingencies. The Chief Engineer of the Commission told me later that in recommending that estimate to the Commission for transmission to the Government that he had added \$5,000,000 for interest and contingencies and he told me that \$2 500,000 was for interest and \$2,500,000 for contingencies, so ⁱⁿ that estimate which would bring the expenditure up to \$55,000,000 there was included an amount of ~~\$~~approximately \$6,000,000 for contingencies. And when we find that the estimate has been exceeded by approximately \$14,000,000 I think I am safe in saying that the 'contingencies' amounted to approximately \$20,000,000. I cannot see that any efficient and honest body of men dealing as they were with the Government should vary or be out so much in their estimate."

Q--Does that accurately represent what you said ?

A--Yes, fairly well.

Q--Does it fairly represent your view at that time, as you saw the situation ? A--Yes, I think so.

Q--I have a note here that Mr. Clarke asked you this question :

" MR. SAM CLARKE: The Minister mentions the sum of \$14,000,000 and \$6,000,000 and then totals them and gets \$20,000,000. Is that contingencies ?

HON. MR. CARMICHAEL: I put it like this : In the first estimate given in this House, bringing the estimate up to \$55,000,000 there was \$6,000,000 for contingencies. They exceeded that estimate by \$14,000,000, making \$20,000,000 in all. I think it is fair to say that

"that would be an amount of \$20,000,000 for contingencies.

I have felt my position so keenly that I have not only several times verbally expressed to the Prime Minister my feeling that I should resign from the Commission but I have today put that in writing, and I have today given the Prime Minister my resignation in writing from the Commission. I feel that the Government has not been treated as it should have been in advancing money for the completion of this work."

(Page 4750 follows)

Q. Does that also fairly represent the statement you made to the house? A-- Yes.

Q. You did tender your resignation for the reasons you mentioned? A-- Yes, sir.

Q-- What action did the Prime Minister take?

A-- He refused to accept it but he still has it in his possession so far as I know.

Q-- That was the third March, and I believe it was shortly after that this Commission was appointed, with the powers set forth in the Commission; this Commission was appointed the 13th April 1922. Have you as a Commissioner received any report or has any report been presented to the Commission by the engineers of the Commission showing how this estimate came to be increased by the amount you mentioned. I am not now speaking of the Stuart and Karbaugh report - I am speaking from the engineers of the Commission or the Chief Engineer? A-- No, sir, I do not recall that there has been any explanation other than this; I may be wrong, but I do not recall it.

Q-- Other than this? A-- I mean the report that was sent to the Prime Minister under cover of Sir Adam's letter of December 17th, 1921.

Q-- This is exhibit 48 and you do not think you saw this until it was produced here. One or two other questions I would like to ask. I notice here this letter of the chairman and also this memorandum of Mr. Gaby's, exhibit 48, speaks particularly of the cost of the rush schedule; what was that rush schedule, what does that refer to?

A-- I am not just sure when it began; there were two shifts, the gangs were working night and day, and I am not sure when it began. I believe it ended in July or August, or early in September 1921.

Q-- Was the Commission consulted about putting on that rush shift? A-- I do not recall that it was any time after I became a member of the Commission. If it was not in operation then I had no doubt the Commission was consulted. I cannot really recall that we were. I have very little doubt that it was brought up and discussed fully.

Q-- Do you recall why it was decided to put on a rush shift? A-- My impression is that the intention was to deliver power by the first of September 1921 - I have forgotten whether it is the first or thirtieth of September.

Q-- Why the first of September, was any reason given for fixing the first of September 1921? A-- As I recall it the reason was that the City of Toronto were taking over the Toronto Street Railway and they wished to be sure of a supply of power in order to operate the railway when they took it over.

Q-- The Company which was then operating did not intend to continue supplying power to the railway? A-- No.

Q-- Why do you say that, upon what do you base that statement? A-- Well, I think that is based on conversations I had with the chairman of the Commission; I cannot recall anything more definite than that.

Q-- Did you have any information in connection with that shift, or with that aspect of the matter other than what you got from the Chairman or Chief Engineer? A-- Not that I recall, no.

Q-- I didn't know whether you were speaking of any other knowledge you had. Why was the rush schedule discontinued?

A-- An arrangement was made with the Power Company to continue a supply of power to the railway after it was taken over by the City. I have forgotten the terms of that and I cannot recall the date but I do distinctly recall meeting Mr. Fleming and several other gentlemen in the Chairman's office

and they promised they would continue to supply power and I think a definite charge was set at which they would continue to supply power.

THE CHAIRMAN: As a consequence was the rush shift taken off? A-- Yes.

THE CHAIRMAN: Was any entry made, Mr. Rowell, in the minutes of a decision to ^{discontinue} the extra shift?

HON. MR. ROWELL: I do not find any entry to employ, but I do find a minute here on Wednesday, 20th July, 1921 which reads in part " the matter of the reduction of wages on the Chippawa development work was given careful consideration and the Chief Engineer was instructed to prepare a schedule based on the McAdoo schedule of the prevailing rates". I find that minute.

THE WITNESS: I think it is fair to say that the cost and difficulties of the night shift had something to do with cutting down the rush schedule.

Q-- Just explain what you mean? A-- The night shift was very difficult to handle; the work was not considered as efficient, and it was not considered that enough progress was being made and it was therefore considered desirable to discontinue it if it was at all possible.

THE CHAIRMAN: When did the rush shift go on, in 1920?

A-- I do not recall when it began, I think either the Spring or early part of 1920.

THE CHAIRMAN: When was the date within which the work had to be completed, fixed by the Commission, or was it fixed?

MR. POPE: 1921.

THE CHAIRMAN: When was that date fixed?

MR. POPE: At the very start.

THE CHAIRMAN: I have not seen the minute covering that,

MR. POPE: That was the object date all the way through the work; that is the date they had to take over the Toronto

Railway Company.

THE WITNESS: That is the main reason for it. I am not sure where I got the impression but I am quite sure I had it.

COMMISSIONER HANEY: Would that be in 1916 when the date was fixed?

MR POPE: I don't know whether they decided to take the Street Railway over as early as that; the notice was given.

THE CHAIRMAN: You said Mr. Pope it was fixed at the beginning.

MR. POPE: Very early in the work.

COMMISSIONER R. A. ROSS: Would not that be set out in the agreement between the City and the Company?

MR. POPE: They gave their notice; when they gave the notice and decided to take it over then a date was fixed, I do not just remember the date.

HON.MR. ROWELL: My recollection is that the notice to take over was given in June or July of 1920; it was in the agreement.

HON. MR. LUCAS: Every one had in contemplation the City would take it over although formal notice was not given.

THE CHAIRMAN: I wanted to fix the date and I would like Mr. Pope to say what year that was.

MR. POPE: I could not fix the year; Mr. Lucas has said it was general opinion they would take the railway over and they would require the power from that date.

THE CHAIRMAN: It was from that date.

HON.MR. ROWELL: There is a note in the Stuart and Kerbaugh report which perhaps throws some light on this. I notice in the report of Stuart and Kerbaugh of September 30th, 1920, at page 82 of this printed copy of the report - we might have the printed copy marked as an exhibit and the Commissioners could have them.

EXHIBIT NO. 49: Filed by Hon. : Memorandum or report
 : Mr. Rowell : of Mr. R. D. Johnson, report
 : April 3, 1923 : by Hugh L. Cooper & Co., report
 : : of Stuart & Kerbaugh, and report
 : : of R.S. Lea.

COMMISSIONER HANEY: It does not contain the Douglas report.

HON. MR. ROWELL: No.

Q-- I see among the matters upon which they report is the possible date of completion of the canal for the generation of power by the first and second units at the power house. On page 85, after analysing what are the factors before completion this clause goes on to say: "Using these factors we find the programme to complete entire excavation of earth and rock required so that concrete can be completed in time to turn water in the canal by November 1st feasible if certain additional cars and locomotives are made to the present plant". That would look as if the programme submitted would indicate that it could be completed by the first of November. This report is dated the 30th of September 1920.

THE CHAIRMAN: Then the copy you referred to previously is 1921.

HON. MR. ROWELL: Yes. This further appears and it would look from this as if the question of fixing the first time was a matter which was considered at this time. " In reply to your inquiry as to possibility of generating current September 1st, 1921, we find that with the plant provided and proposed for completion November 1st, 1921, and a further addition of 21" hydraulic dredge unit to begin work by or before January 1st, 1921, it is feasible to generate power by September 1st, 1921". So in these two dates are discussed and the explanation given. Do you recall any discussion after that Colonel Carmichael, at the time of the Stuart & Kerbaugh report? A-- No, I do not recall any discussion on that by the Commission as early as 1920.

Q-- When is the first that you recall that the question of completing on September 1st, 1921, came up, so far as you are concerned? A-- As far as I recall it, it would be in the summer of 1921 when we were having trouble; I maybe wrong but that is my recollection; when we were having trouble with the force on the work, and it was decided to cut that out.

THE CHAIRMAN: Your trouble was in 1920?

A-- There was a strike.

THE CHAIRMAN: When the Committee from the Legislature went over there.

A-- We were threatened with a strike in 1921 and work actually ceased for some time.

HON. MR. LUCAS: Of course, you are not agreeing that the question if the Commission secured the Electrical Development Company, then there was that necessity of completing the Chippawa on September 1st. If they secured the Electrical Company they would be able to take care of it.

A-- The agreement was made with the Electrical Development Company in 1920.

Q-- A tentative agreement? A-- Yes.

THE CHAIRMAN: Mr. Lucas, what was the date of the meeting with Mr. Fleming?

HON. MR. LUCAS: That was in 1921.

MR. POPE: July 1921.

HON. MR. LUCAS: From the date of December 1920 up to the agreement you speak of there was always the chance of what is known as the clean-up agreement would go off and if it did there was a necessity for completing it on September 1st?

A-- You mean the clean-up deal would be broken off.

Q-- Yes, and then the Commission would then be able to take care of it? A-- I think that was the impression in view of what you say now. That recalls to my mind, and I suppose it was because the clean-up deal was liable to be broken up the

the conference with Mr. Fleming was held.

Q-- If it was not actually completed at that time he undertook to deliver power in any event? A-- I think that was the agreement.

Q-- Now just one or two things to refresh your memory. At the Niagara conference you had the Cooper report; the Niagara conference of October 26th, or approximately October 26th, 1920, you had before you the Cooper report and the Stuart Kerbaugh - Lea- Johnson^{report}/on the Cooper report?

A-- I am not exactly sure of this. I am thoroughly clear the Cooper report was there in detail and in total; if anyone would say the others were there I would not disagree.

Q-- As you recall it the men themselves were there?

A-- Yes.

Q-- They were there talking and whether the report was there you don't know? A-- No.

Q-- I think you said you were concerned not only with the cost but with other features of the Cooper report; he criticised your scheme? A-- Yes.

Q-- Do you recall that the report stated that you would not finish your work by September 1921? A-- I do not recall the exact terms of his report in that connection. As far as the work was concerned I find he intimated the power house was liable to slip into the river.

Q-- I think he did report that the Commission could not complete their work by September 1921; it would take another year or more? A-- He may have said; I haven't the report here, and I do not recall the exact phrase.

Q-- At that time that would be of very vital importance?

A-- Yes.

Q-- I think we mentioned that he criticised somewhat sharply the water levels? A-- Yes, I think he did.

Q-- Which had a bearing on the capacity of the canal? A-- Yes.

Q-- So that you were concerned and had a conference not only with regard to costs but other important features of the Cooper report? A-- Yes.

Q-- So far as we know he was right on costs, and wrong on the others.

A-- He appears to have been approximately right on the costs so far as five units are concerned at all events, and the others I would say as a layman he has apparently ^{been} approved to be wrong to some extent anyway.

Q-- Now, the estimate arrived at and submitted in the House was fifty-five million? A-- Yes.

Q-- A year later you had to face the House again and account for ten million extra expenditure? A-- Yes.

Q-- And naturally that was not a very pleasant task?

A-- No.

Q-- You had given an assurance that fifty-five million would complete it? A-- Yes.

Q-- I am not sure I understood you as to when you read the Lea-Stuart Kerbaugh report; you were satisfied that there was a reasonable explanation as to the ten million increase?

A-- Yes, the Stuart, Kerbaugh report forwarded to the Prime Minister on December 17th?

Q-- Did that reasonably satisfy you that there were legitimate reasons for the increase of ten million? A-- I don't think I said, speaking to Mr. Rowell, Mr. Lucas whether I was satisfied or not; I do not recall what my impression was at that time.

Q-- As I understand it there was only about one-fifth of the actual construction work done at the time the Stuart Kerbaugh report was made; have you that in your mind?

A-- That there was only approximately one-fifth.

Q-- Yes.

A-- The Stuart and Kerbaugh report was made in December of 1920

Q-- Yes, I can give you something that will refresh your memory. A-- I do not remember.

Q-- This is Mr. Lea's sworn evidence before the Public Accounts committee: "Do you consider that in view of the fact that the latest estimate was not an estimate on the whole work, from the beginning, but on work then in progress the increase of eleven, twelve, or fifteen millions is excessive"; that is an increase from the fifty-five to the sixty-five or sixty-nine? A-- You are reading from the evidence?

Q-- The question to Mr. Lea was: "Do you consider that was excessive". Mr. Lea's answer is: "Eleven to twelve millions on fifty-five millions is not unusual under the circumstances as I understood they were and as I saw it, to a great extent I think it was not". Then he is asked: "Even when the work was in progress", and his answer is: "An estimate was made in figures but only about one-fifth of the job was done and the main part was still to be done when they made that estimate". That is Mr. Lea's statement. He was cross-examined at a greater length, but he adheres to that statement.

THE CHAIRMAN: What is the date of that examination?

HON. MR. LUCAS: 1922.

Q-- Putting it broadly then have you or the Government any other expert advice as to the cause of the increase than that contained in these reports? A-- No, I do not recall that we have.

Q-- Then the only expert advice that either the Commission or the Government has, is that of Stuart and Kerbaugh and Lea?

A-- Well, we had Hugh L. Cooper and the Engineers of the Commission itself.

Q-- And the engineers themselves; Hugh L. Cooper put his estimate at sixty-five million? A-- Yes.

Q-- The other was given at fifty-five million and they have submitted these various reports accounting and giving reasons

for the increase of ten millions? A-- On the other hand they had at the conference at Niagara Falls gone rather exhaustively into the details to show the Cooper estimates could not be correct.

Q-- To convince not only you but the Premier and everybody else that Cooper was too high? A-- Not only he but the whole lot of them. I think Lea of Montreal was present, Johnson was present, Stuart and Kerbaugh, Mr. Gaby and I think Mr. Acres; they took part in the discussion and the outcome was a decision that Mr. Cooper's estimate was too high.

Q-- Putting it in a general way you have no further information from engineers as to the cause of the increase than that set forth in the Stuart Kerbaugh-Lea reports?

A-- No, I don't think so.

Q-- Well, having read these reports can you still say that they are not reasonable explanations of the increase?

A-- I would not like to say, Mr. Lucas.

Q-- One other feature; that report of October 7th, 1921 according to your recollection, you never saw the document until you saw it in Mr. Rowell's hand? A-- Yes.

Q-- But the material contained in it, speaking generally was discussed at the conference? A-- I would say that it was. I should say that when Mr. Gaby came there and he was faced with a series of questions as to why the increase took place, I would say he would base his replies on the investigation he had made which I see from the report was begun as far back as July.

Q-- And apparently the Commission must have had this information before them because on December the 12th they refer to the information placed before you as to the ten million increase.

A-- One of these letters refers to a report of August 12th. My impression is a better word would be, conference of August 12th, I really have no recollection.

Q-- I suppose during the summer of 1920 the question of the increased cost at Chippawa, in the summer of 1921 was a matter of discussion every time you would meet?

A-- Practically, in 1921, I should say 1921.

Q-- And 1920 more or less? A-- Yes.

Q-- Whether it is recorded in the minutes or not, there were many hours of discussion? A-- Well, I do not recall any specific instance I would agree with you.

HON. MR. ROWELL: Q-- You told my learned friend that you assumed that Mr. Gaby would base any answers he made to the questions asked him upon the investigation he had previously made? A-- I would presume so, yes.

Q-- And you say that because you would assume that would be the only thing to do?

A-- I presume that would be the only thing for him to do, he already had made an investigation and embodied them in a report to the Chairman, and I would say it would be the only thing for him to use in the discussions, the information which he had gathered.

12.45
(Proceedings stand adjourned at 12.45 p.m. until 3 p.m.
until Tuesday April 3rd, 1923.)

AFTERNOON SESSION.

TORONTO. April 3rd, 1923.

HON. E. C. DRURY : Sworn - Examined by HON. MR. ROWELL.

Q--Mr. Drury, you are the Prime Minister of the Province of Ontario? A--Yes.

Q--What was the date on which you were appointed Prime Minister? A--November 13th, 1919.

Q--And you have held that position ever since?

A--Yes, sir.

Q--When did the question of this Chippawa Development first come before you for consideration? A--Well, in an intensive way it came before me sometime during the first weeks of 1920, when the question arose of a special report that we wished to have made by Mr. Clarkson, which would set the whole matter before us.

Q--And did you at that time also communicate with the Chairman of the Commission and send him a copy of your letter to Mr. Clarkson? A--I would like to have my files here. I have not a definite recollection; but I think I did. I think when I wrote to Mr. Clarkson asking him to send a report to the Government, that I also sent a copy of that letter to the Chairman of the Commission.

Q--In the Minutes of the Commission of March 23rd, 1920, I find a reference to the receipt of a letter from you dated March 18th, in reference to the estimated cost of the Chippawa Power Canal, etc., and the note concludes in this way "Was carefully considered and ordered to be filed, the Chairman having interviewed the Prime Minister in this respect." Do you recall the interview with the Chairman of the Commission at any time in about this period in 1920,

at which the cost of the completion of the Chippawa Development work was discussed? A--Well, would that be the interview in which the Chairman mentioned to me the desirability of employing Mr. Cooper?

Q--I cannot say, of course, In the Minutes the Cooper matter appears at the end of April? A--There were two or three interviews about that time. I cannot recall definitely the interview that is referred to in the Minutes, because there were several. I remember there was one interview regarding the method of Mr. Clarkson's report. I held that Mr. Clarkson, being Auditor for the Government, should report directly to the Government; and the Chairman held at that time that the Auditor should report to the Commission and through the Commission to the Government. That probably would be the interview referred to, or might be. I remember very distinctly that interview.

Q--What was the first estimate you received from the Commission or any officer, in reference to the cost of completing the Chippawa Development? A--The first estimate that I received was the estimate contained, I think, in Mr. Clarkson's report, of \$40,000,000. That was as it came to us, \$40,000,000.

Q--Then, when did you first learn that that estimate was likely to be exceeded? A--My recollection is that sometime not long after that report was made, the Chairman came to me and said that he himself was worried about the increasing costs, and suggested Mr. Cooper's name as an engineer that it would be desirable to get to report upon the estimates, and asked me to write to the War Office at Washington in regard to Mr. Cooper's qualifications. I did. The letter, I suppose, will be here presently with the rest of the file.

Q--And got a satisfactory answer? A--A very satisfactory answer, yes.

Q--Did you communicate that, then, to the Chairman of the Commission? A--Yes.

Q--And Mr. Cooper was retained? A--Yes.

Q--Then what was the next you learned about the possibility of the cost exceeding the estimate of \$40,000,000?

A--The next would be when the Cooper report was received. Naturally, the question rested while the Cooper report was being made, but I think that the next time the matter was brought before me, was when the Cooper report was received.

Q--Do you recall approximately the date on which you received the Cooper report? A--I would like to wait a few moments until my file is here, because when many things

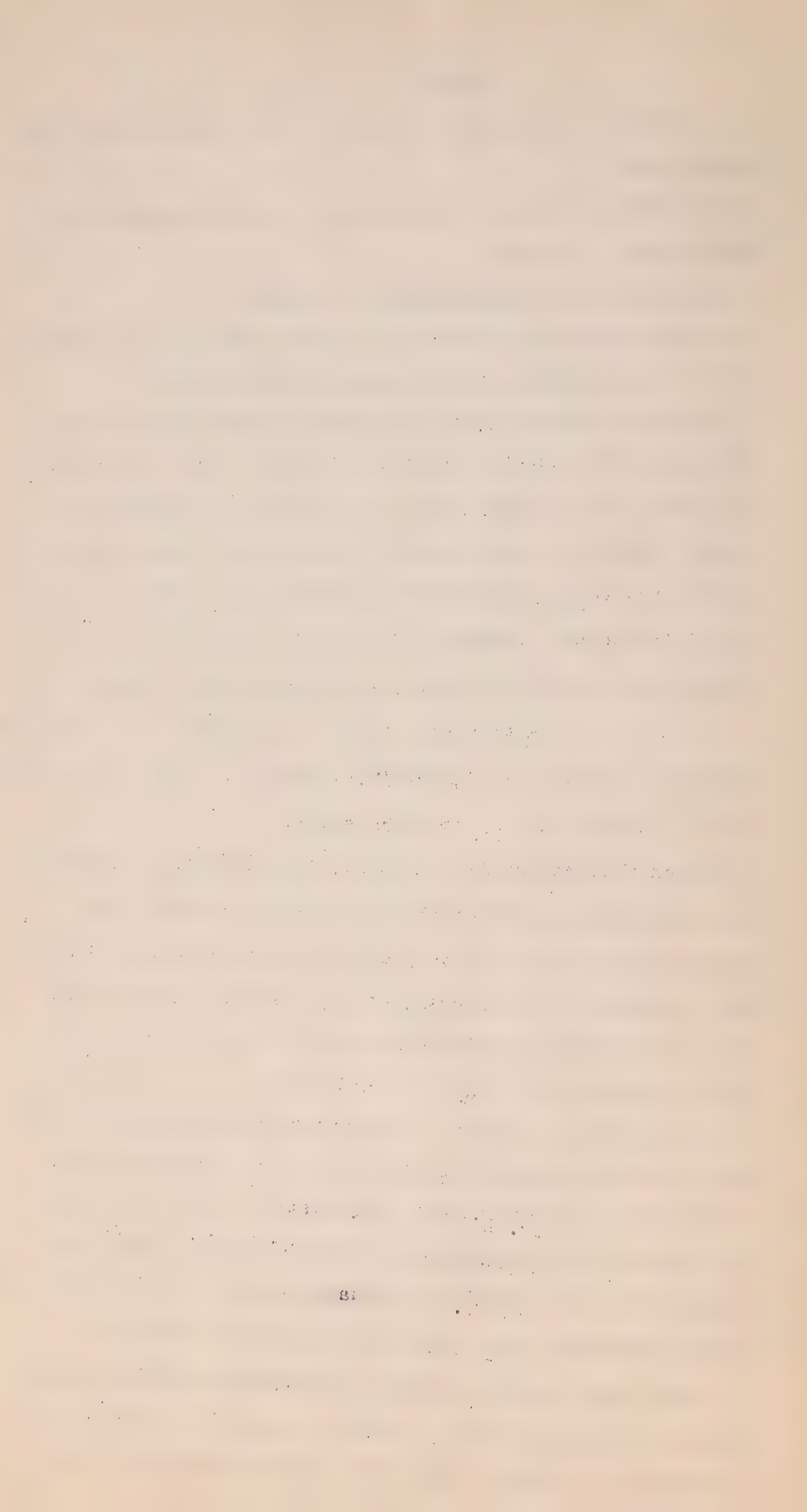
are on one's mind it is not wise to attempt to fix dates. That would be sometime, however, in the late summer of 1920; I could fix it that nearly.

Q--Then what happened? A--Well, the matter was discussed then at a meeting between the Chairman and myself. The Chairman came to see me at my office and told me practically that I need not worry about the Cooper report, that he had very good reasons for discrediting the Cooper report, and that I need not take it at all seriously.

Q--What followed that? A--The next outstanding thing was the conference arranged at Niagara, in the autumn of 1920.

Q--Who were present at that conference? A--Sir Adam Beck, Mr. Kilmer, Col; Carmichael and myself, with Mr. Gaby, Mr. Acres, I think Mr. Angel, Mr. Stuart was there part of the time; and Mr. Kerbaugh, and I think Mr. Lea and Mr. Johnson.

Q--Then what was the subject matter of this conference at Niagara on this occasion? A--Well, the whole question, as I remember it, brought before the conference was as to the



credibility of the Cooper report. We went down on the morning of one day and spent that day going over the works; in the evening we had a conference in the Clifton House, and the next morning we had a conference in the Clifton House, returning the next afternoon and getting to Toronto in the evening.

At the conference the work schedules were gone over, to show that the Cooper report was in error in point of time of completion, and the cost schedules up to that time were gone over in some considerable detail. Of course it was a matter which was not in my Province and I did not know anything about it, not being an engineer; but the thing that was brought out was that in all points of time schedules, perhaps I ought to say, they were ahead of time, and that the costs were below the Cooper estimate.

Q--That the work schedule was ahead ? A--Of the schedule as to time. They had a schedule arranged as to what should be accomplished at various dates in order to complete the canal by the early fall of 1921, and that was gone into in detail, in the rock section and in the dredging section and in the earth section; and we were shown that the schedule, was, I think, up to or ahead of time in all these things.

Q--That is that the work was all ahead of the Commission's own schedule, as you recollected ? A--Yes, quite.

Q--Then you say that the cost was gone into, and what was the report or intimation or decision as to costs ?

A--There again I have got to depend on my memory. I do not remember the costs being greatly emphasized. We were assured that there was nothing to back up Cooper's contentions, and we were promised, I think, that reports would be prepared which would deal fully and exhaustively with the costs.

Q--Did you have the Stuart & Kerbaugh report or estimates

before you at that conference? A--No, I do not remember it at all. I suppose we spent about five hours on it in the conference in the evening, and three hours the next morning, about an eight hour conference.

Q--Did the conference cover a criticism of Mr. Cooper's construction and plant? A--Yes, particularly in regard to the intake. I remember that matter was gone over in considerable detail.

Q--And what was the conclusion reached in reference to those?

A--Well, we were assured that the plan of intake as proposed was a feasible plan; that it had been tried out in models. I remember we were taken over to see the work; the coffer dams were in and the mason work was being constructed, and we were shown how the fingers would lie in the river to take care of the ice and gravel coming down.

Q--Were the other points of criticism also taken up and dealt with at this conference? A--The time part, yes, and the matter of costs in a general way.

Q--I meant the other criticisms by Mr. Cooper of the design, and so on? A--Yes, those were all dealt with at that interview.

Q--Then you say a promise was made? A--That there would be further reports, yes.

Q--When did you get any further reports on the matter?

A--My file will be here in a minute, and I can then tell you exactly. I got it in January of the next year with a covering letter, I think, by Mr. Gaby. The whole thing will be on record when my file comes.

COMMISSIONER HANEY: The Kerbaugh and Stuart report?

A--The Kerbaugh & Stuart, and the Lea, and Johnson; they were bound into a new volume with the Cooper report. The Cooper report, as I received it first, was in a volume by itself.

That was received in the fall, and then in the winter there was a new report, the report that I afterwards submitted to the house containing the Cooper report and the Lea and Johnson and Stuart and Kerbaugh reports all bound together in one volume.

Q--Then had you seen the Stuart & Kerbaugh report prior to the receipt of this volume in January, 1921? A--No, I think not.

Q--Then, when you got this volume of reports, what further action, if any, was taken in the winter or early spring of 1921? A--Then, of course, we brought the matter to the attention of the House, and I was being pressed, I remember, by Mr. Dewart that the Cooper report, which it was known had been made, should be tabled in the House. I objected to table it.

I have these letters now before me.

THE CHAIRMAN: Mr. Drury, do you say that at that conference it was stated that the costs of what had been done to date were within the estimate? A--No, I think not costs. The time schedule was within the limit, and I think there was some doubt raised but it was understood that the costs were running pretty well and were not anything such as would justify the Cooper conclusions.

I have here the letter of March 18th, 1920, but I am afraid I am helpless unless somebody will help me unravel this; it is a pretty complicated affair, so much has passed.

Here is my letter to Sir Adam, of March 18th, 1920, where I notified Sir Adam of the request to the auditor. And I have also here the letter of March 19th from Mr. Clarkson with a preliminary report on the system, in answer to my letter of the 3rd, and a promise of further work on this other.

HON. MR. ROWELL: Does Mr. Clarkson deal with the

Chippawa Development in that ? A--No, only in a general way. That was contained in the report afterwards made. He does not deal here with Chippawa except in a general way in untangling the finances of it and the whole undertaking.

Q--But when Mr. Clarkson made his report, in April 1920, for the year 1919, he had before him your letter of March 18th, 1920 ? A--Yes, I think that is printed in the report, is it not.

Q--No, it is not printed. I think the letter of March 18th is your letter to the Chairman ? A--Yes, and the letter to Mr. Clarkson is dated March 3rd, and I asked him in that letter two things;

- "1. The state of the affairs of each of the Systems and Companies controlled or operated by the Commission.
- "2. The approximate amount of money which must be obtained by the Province within the next two years to be loaned to the Commission in order to allow it to complete works undertaken by it and now in course of construction, and to pay debts which become due within that period."

That included, of course the Chippawa Development.

Q--I notice a further paragraph in your letter to Sir Adam, in which you add,

"In the meantime I shall appreciate it if the Commission will let me know what the estimated costs of construction of the Chippawa Power Canal will be and when it is expected that such works will be completed." etc.

Now, what information did you get, either from Mr. Clarkson or from the Commission or from both, at this time, in answer to your request for the cost of completion ?

A--I have a letter from Sir Adam dated March 19th, saying that he was in receipt of my letter of the 18th inst. and had

issued instructions for the preparation of the information as to estimated cost within the next two years including the cost of the Chippawa Power Canal and other data, which I had desired, "All of which will be submitted to the Commission early next week and will be forwarded to you without delay."

Then following that there were several things happened. On June 11th, following several conferences I received this letter. I beg your pardon, that is not the letter I meant. I think the next thing, as I have told you, is that Sir Adam came to me and said that he himself was worried as to the cost, and suggesting the employment of Cooper. I am looking for a telegram.

Q--Do you recall whether you received any report from Mr. Clarkson in reference to the total estimated cost of the Chippawa, apart from his report as auditor in which he fixed it and gave \$40,000,000? A--No, I think not.

Q--Then, are you able to say now, Mr. Drury, when you got these reports? Can you tell me when you received the report of Cooper and Company from the Commission? A--Yes, it was brought to me in late October of 1920. Here is the original report.

Q--Was that before your conference at Niagara? A--Yes.

Q--Then I notice on a copy of the Stuart & Kerbaugh report, it has printed on the face of it that it was submitted to the Honourable C.E. Drury on January 21st, 1921. Does that correspond to your recollection as to the date on which you received the volume containing the Stuart & Kerbaugh report?

A--Yes. Here is the covering letter, of January 21st, 1921, signed by Mr. Gaby, in which he says:

"Sir Adam Beck, on leaving the office, instructed that copies of the reports of the Consulting Engineers with regard to the Queenston-Chippawa Development, be

placed in your hands. It was only recently that I had in my possession all the reports submitted on this matter.

The following reports accompany this letter in order of receipt, together with a bound copy of same, less plans accompanying H.L. Cooper's report, viz.

1. Report of R.D. Johnson, of R.D. Johnson and P. Wahlman, Hydraulic Engineers, 60 Wall Street, New York, on the Queenston- Chippawa Development, dated June 1st, 1920.
2. Letter of H.L. Cooper & Co., 101 Park Avenue, New York, dated July 6th, 1920, addressed to Sir Adam Beck.
3. Preliminary report on the Chippawa Hydro-Electric project, by Hugh L. Cooper and Co., dated Aug. 7th, 1920, consisting of --

(a) Letter of transmittal to Sir Adam Beck, dated August 7th, 1920.

(b) Costs Estimates, dated August 7th, 1920."

Then follows another longer list.

Q--Then that was the date on which you received the Stuart & Kerbaugh and these reports other than the Cooper report which you had received earlier ? A--Yes.

Q--Then did you have any further discussion with the Commissioners or any of them, or with Mr. Gaby, about the total estimated cost, after you received those reports during that session ? A--I think not. The matter was then dealt with, I think, by Col. Carmichael. There was the Kerbaugh estimate and the additions to it which were submitted in the estimates to the House in 1921.

Q--Col. Carmichael has told us this morning that he asked Mr. Gaby, the Chief Engineer, in view of certain questions that had been asked in the House as to this estimate of \$55,000,000,

and Mr. Gaby had assured him that that would complete it and that he was justified in so informing the House. Did that come to your knowledge at that time? A--Yes, that came to my knowledge through Col. Carmichael. We were naturally very anxious that we should get some finality in the thing and get an estimate that we could rely on, and I had asked Col. Carmichael to assure ^{himself} as fully as possible if the estimate submitted to the House would be the final. We knew, of course, it was designed to complete the first five units in the fall of 1921, and it was very much desired that there should be finality in the estimates.

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(Page 4775 follows.)

Q--Then, the estimate was submitted to the House, and passed; Col. Carmichael stated to the Legislature that would complete the canal ?

A--Yes.

Q--When did it first come to your attention that these estimates were likely to be exceeded ?

A--Some time either in the latter end of August, or I think, more likely in the first part of September of 1921, when Col. Carmichael drew my attention to the fact that he expected the estimates would be exceeded; I remember he first spoke to me with regard to it when coming in a car from Parkdale Station, and I told him at that time I thought he had better pay rather particular attention to it, and see just what the state of the financing was. We were getting very anxious about it at that time because during that year, part of the time, at least, we were providing Warrants to the extent of almost \$1,000,000 a week, and were exceedingly anxious that it should come to an end.

Q--Will you tell us, in order, what followed ?

A--After that Col. Carmichael drew to my attention, I think about the 11th or 12th of October, the fact that he had assured himself that the estimates were being exceeded. I remember that Sir Adam Beck had asked for a conference, I think it was on the evening of October 12th that the conference was held at which we discussed the submission of radial bylaws in connection with the forthcoming municipal elections, Col. Carmichael had drawn my attention to the fact that he had assured himself the estimates were running, and had run at that time, a great deal beyond the amount they should, having regard to the progress of the work, and I made up my mind that I would use that conference for the purpose of discussing the Chippawa question. In pursuit of that, I notified the members of the Cabinet, and

also Col. Carmichael and Mr. Miller, and at that conference I told Sir Adam Beck, before we went into the Council Chamber where the meeting was held, that I had become very much alarmed over the Chippawa expenditures, and I proposed that we should get some explanation as to the state of the work that evening. Sir Adam Beck sent for his officials, Mr. Pope and Mr. Gaby, I am not sure whether any other officials were there, also Mr. Kilmer and we spent the evening discussing the Chippawa expenditures and the over-running of the estimates. There was no detailed explanation at that meeting, but Sir Adam Beck promised to give a detailed explanation to me during the next week.

Q--Did you get it? A--No, it was not forthcoming. There were a number of letters exchanged, I think they are on the file, with Col. Carmichael and Sir Adam Beck.

Q--Just before we come to these letters, I want to ask you Mr. Drury, with regard a memorandum ^{to} to Sir Adam Beck by Mr. Gaby as Chief Engineer, which was produced on Wednesday by Mr. Gaby, and marked Exhibit No. 48 today, the memorandum being dated October 7th 1921. Have you had an opportunity of looking over that memorandum?

A--Yes, I have looked over this memorandum.

Q--When did you first see that statement?

A--When I looked over it the other day; I had never seen it before.

Q--That memorandum was not submitted by the Commission to you? A--No.

Q--When did you first learn of the contents, that is in reference to the amounts which it was claimed it had cost to speed up the programme, in the details given in that report? A--That matter was discussed in a general way during the conference of October 12th, I remember it was urged that the speed-up programme was increasing the cost

considerably, and in particular it was mentioned that one of the steam shovels was a 'hoodoo', and the discussion centred around the antics of that particular steam shovel. The details of this memorandum were never brought to my attention at all, that I remember.

Q--A series of letters passed between you and Col. Carmichael and between you and the Chairman of the Commission in reference to information as to the increased cost. If you have your file there, Mr. Drury perhaps you will be able to follow? A--Yes I have the file.

Q--The first, I think, is a letter from you to Col. Carmichael dated November 10th 1921? A--Yes.

Q--Does that correctly state the situation as you understood it at that time? A--Yes, with the exception that I think in the first sentence the 'three weeks' should be 'four weeks'. That was dictated without any idea of being definite. Yes, that correctly states the situation.

Q--I notice it is stated here: "You will further recall the meeting which was arranged between members of the Commission with the Chief Engineer, Mr. Gaby, and the full Cabinet, in which the entire situation was very fully discussed and a promise was made by the Commission that a full explanation of the increases would be submitted to the Government in the course of a few days. This explanation has not yet arrived, and the Government is intensely interested. I would urge that you, as representing the Government on the Commission, should immediately take the matter up and see that this is done."

What was troubling you at that time, Mr. Drury?

A--Well, the estimates were being exceeded; the full vote was being exceeded; if I remember correctly, we had not yet, by taking advantage of the interest clause gone beyond the total amount available for the year, but the five

units were not in operation as we had been promised, and it appeared that a very considerable further expenditure would be incurred, in fact, it had been stated at the conference on the 12th of October, that the cost of the five units would be in the neighborhood of \$65,000,000 instead of \$55,000,000. I regarded the situation as being exceedingly serious, for the reason, from information I had received from the Roads Department as to the cost of materials going down during the year, instead of up, and knowing that the rush schedule had been abandoned some time in the middle of the summer, my feeling was that instead of the estimates being increased, they should be reduced, and, naturally, being the head of the Government who had to supply the money, I felt anxious as to where we were getting with regard to cost.

Q--I see in the letter of November 10th, it says : "You were assured by the Officials of the Commission, and in turn assured the House and the Country, some seven months ago, that the estimates then submitted to the House for their approval were ample for the completion of the first five units." A--Yes.

Q--You received that information, and you recollect it being given to the House ? A--Oh, yes, I was certain about that.

Q--"During the period which has elapsed since the voting of these estimates, conditions generally have been such as would lead to the reasonable expectation of a reduction in cost rather than an increase over the estimates made at that time." You based that opinion upon what ? A--Upon the fact I had discussed with the Minister of Public Works the prices of material, in the Roads Department, where they handle a great deal of the same sort of material, and their information was that prices were going down; and labour we

knew was easier, and the rush schedule had been abandoned. Those three things led me to believe that we could expect a decrease instead of an increase in costs, and further, there was what I regarded as an excessive amount allowed in the estimates of the previous session for 'safety'. The Stuart & Kerbaugh estimate of \$45,000,000 contained I think, \$4,000,000 or \$5,000,000 for 'contingencies', and there was added to that another \$5,000,000 or \$6,000,000 before the estimates were brought to the House, and the fact that these estimates were brought to the House in February or March -- at least in the Spring -- and only three or four months later the rush schedule was abandoned: this led me to believe that something was wrong, either in the estimates, or in the manner of carrying on the work.

Q--I see you state in that letter : "The fact that not only has this not been the case, but that in spite of these conditions the estimates have been increased to an amazing extent, is, to put it very mildly, a matter of great alarm to the Government and constitutes a condition which we cannot ignore." A--Yes.

Q--"I trust that you will take this matter up energetically and see that reasons for this condition are immediately placed before the Government." Were reasons placed before the Government at this time for this condition ?

A--No, I do not think they have been fully placed before me yet. I did not for a considerable time get any reply that might be considered adequate.

Q--There is a letter from the Chairman to Col. Carmichael, which I see he sent on to you.

A--Yes.

Q--Col. Carmichael apparently sent it on to you with the memorandum of November 28th 1921 -- have you that letter

before you ? A--Yes, I have it.

Q--I see in that letter the Chairman gave as the reason for the delay, an engagement of the engineers of the Commission in connection with the St. Lawrence development. Col. Carmichael replied to Sir Adam Beck on November 29th, and, as I recall his testimony this morning, he stated this letter would no doubt follow some interview with you in reference to the matter ? A--Yes.

Q--That is what is stated in the letter.

"I regret that so much time has not been allowed to lapse since this matter was taken up with the Cabinet and the explanation which was mentioned in correspondence promised. I think it is now nearly six weeks since the matter was discussed with the Cabinet and an explanation of the large increase, approximately \$10,000,000 required to complete the first five units, was promised by the Commission to the Government."

Do you recall any conversation with Co. Carmichael, member of the Commission, or otherwise, which led to the writing of this letter ? A--Well, yes, I had urged from time to time upon Col. Carmichael the imperative need of getting an explanation which would justify the situation. We were advancing money, and being required to advance money beyond the estimates, and, having assured the House that the estimates were final, I was naturally very much concerned. At that time, if I recall, Hydro had about exhausted everything in sight, and we were faced with the need of supplying more money.

Q--I notice you wrote the Chairman yourself on Dec. 8th. If you will just turn to that letter, and tell me if that recalls to your mind the situation as it then stood, from your point of view ? A--Yes.

Q--Will you just briefly state your position as Prime

Minister at that time in reference to this expenditure, and this information, as to whether the information given satisfied you at that time, or whether the delay in giving it to you was satisfactory? A--Well, frankly, the information did not satisfy me, and I felt that the matter ought to be a matter of concern for the Commission, and for the Chairman of the Commission; I felt that when the estimates were being exceeded the Commission ought to have before it reasonable data on which to sanction the exceeding of the estimates, and I was pressing the Chairman of the Commission to give me the information which I took for granted he had. I did not want the engineers' report; very definitely I wanted the position as it was before the Chairman of the Commission, because I held they ought to be responsible for the expenditure. It was, of course, on their recommendation we were being required to advance more money than had been voted, more than the amount we had assured the House was the final estimate; I felt that the Commission were possessed of adequate information; if not, they were either lax in their duty, or had not disclosed the matter fully to us.

Q--The letter of Dec. 8th to Sir Adam contains this paragraph :

" I draw your attention to the above facts and I would point out, moreover, that what the Government has asked and what we were promised is an explanation from yourself as the responsible head of the Commission, as to why the increased expenditure was necessary. We feel that we are entitled to have the information you received from time to time, which in your mind, justified the estimates and the expenditures of the Commission."

A--Quite.

Q--That was the point you had in mind ?

A--That was the position, yes.

Q--The letter continues : "This is the more urgent because in February last you authorized an estimate that the completion of the five units would cost \$26,700,000, and when the question was raised in the Legislature as to whether this was a final estimate, the assurance was given that it would complete the work. Yet, during the last fiscal year the Commission extended, in addition to this amount, \$3,980,674, and it is still making requisitions, without any adequate explanations for further sums."

A--That would state, I think, as well as can be stated, my position.

Q-- And the position of the Government ?

A--And the position of the Government, yes.

Q--You were, as I understand, being called upon to advance moneys in excess of the amount the Legislature had appropriated ? A--Yes.

Q--And in excess of the amount the Commission had assured the Legislature would be sufficient to complete the work, and you wanted the information from the Commission upon which they justified the increase over those figures ?

A--Yes, that states the case, I think.

Q--Did you get that information at that time ?

A--Well, no, I did not; I do not think I have got it yet. I got a further letter on Dec. 17th.

Q--Perhaps there is a further paragraph in that letter, Mr. Drury, see if you have any comments to make on it :

"Let me point out to you again, that what the Government requires is your own explanation, as head of the Commission, in fulfilment of your personal promise, to give such an explanation, which is now nearly two months overdue. We are not asking for new and elaborate computations by engineers,

"but we are asking for the information you must have had as head of the Commission and which justified you in your own mind in asking the Government to exceed, by a sum, according to your verbal statement, of approximately ten million dollars, the estimates which we, on your assurance, submitted to the House as final at the last session."

Have you any comment to make on that ?

A--That is an accurate statement. \$10,000,000 was the amount spoken of at the conference on Oct. 12th as the likely sum by which the estimates would be exceeded.

Q--The letter concludes in these words : "I trust I have made this sufficiently explicit and that you will see the necessity of a prompt explanation, as head of the Commission, in order that the situation may be made clear and that any misunderstanding may be avoided. The Government desires to assure itself of the defensibility of these expenditures and delay in giving us necessary explanations is hampering the transaction of public business."

Have you any comment to make on that, Mr. Drury ?

A--No, I think not, Mr. Rowell; that states the situation accurately.

Q--Then, what reply did you receive to that communication, Mr. Drury ? A--Well, I had two replies, one of Dec. 12th from Sir Adam Beck; and another letter dated Dec. 17th, which is a long letter and I will not read it.

Q--What was the purport of it ? A--I have not had time to read it again now, but I think it referred in general terms to the estimates made by Stuart & Kerbaugh, and to the work, and it enclosed a report of Stuart & Kerbaugh dated Dec. 13th. That was not what I wanted, Mr. Rowell.

Q--Perhaps you had better read that portion of the letter which indicates it did not contain the information you wanted. Commencing in the middle of the letter, "The work

"was carried on under the direction --" and so on, as that is where it really starts to give explanations.

A--I think I might as well read the whole letter. (The letter of Dec.17th, from the Commission to Mr.Drury, is read.)

With regard to the report mentioned in the letter, I do not remember such a report, I remember no more than the conversation we had.

Q--What do you do with these reports when you get them ?

A--Everything we get is filed carefully.

Q--Is there any such document on your file, as Exhibit No.48, which you say you saw last week for the first time ?

A--I thought, at the time, it referred to the verbal report of the engineers. No such report is on file.

THE CHAIRMAN: I think Mr.Gaby said that he did not leave any report with Mr.Drury at that meeting, but that he quoted from it .

A--I was not aware that there was any report; of course, figures were quoted, but I was not aware it was in the form of a report at all.

A-- That was not Mr. Rowell what I wanted. I believe if the commission were functioning properly they would know the reason why the increase would not be justified. I felt as head of the Government, and I regarded this as a Department of the Government and that/ ^{if} this had occurred in any other Department of the Government I would call one of my Ministers to task for the same sort of treatment to his estimate. If he did not make it good there would be no reason to feel that the estimate was justified and that is exactly the position I took with this Commission. I did not take it through ~~the~~ engineers who reported to the Government. I take it that the Commission should satisfy themselves from whatever reports they required, and they should have before them very cogent reasons for the increase.

HON. MR. ROWELL: Then let me ask you one or two further questions arising on this letter. I see in the letter the chairman states referring to the engineers; that is Francis Lee Stuart and H. S. Kerbaugh, contracting engineers, R. D. Johnson and R. S. Lea, Hydraulic engineers, with qualifications of each of these engineers submitted to you at the time. When did you first hear of Stuart and Kerbaugh?

A-- I think the first I heard of them was during the conference at Niagara Falls in the autumn of 1920, when I met them; I did not know anything about them before that; I know nothing of the engineering firms.

Q-- You had not been consulted prior to that? A-- No, I was consulted about Cooper.

Q-- How about Johnson and Lea? A-- I met them first at that conference.

Q-- You had not been consulted about them? A-- No.

Q-- What reply, if any, did you make to that letter of December 17th? A-- I do not think I have on file any reply made to that letter.

Q-- You deal with the same subject matter at least in another letter later? A-- The next thing to my recollection- the matter rested there and I was not satisfied - was February 2nd, on the eve of the opening of the House when I received a letter from Sir Adam Beck requesting that the vote be amended to include \$900,000.00 which had been placed in the estimates for 1922, and that they should be augmented by the sum of \$3,500,000.00 by special warrant and I wrote further on February 8th to the Chairman.

Q-- What was your position then?

A-- I held that the explanation so far given had not been adequate. I had not had a chance to read the letter over; I

Q-- I see on the second page of the letter you refer to the letter of December 17th and proceed to answer that letter; just turn to that part of it?

A-- I quote that and on page 3- do you want me to read that?

Q-- That raises an important question; I draw your attention to this part of it -. Just before going into that, you deal with the request for the \$3,500,000 as requested in the letter?

A-- Yes.

Q-- Then you discuss the total and you say "On October 12th last at a conference between yourself, your Chief Engineer, and the members of the Cabinet, you stated that the cost of this work would be approximately \$65,000,000, or an increase of \$10,000,000 over your last session. I have before me a copy of a memorandum dated February 1st re the estimates required for 1922 for various Hydro Electric developments and note that in this memorandum upwards of \$7,000,000 is required for the Queenston - Chippawa development. This, in addition to the amount of \$63,000,000 which had been spent up to February 1st on this development, seems to indicate that the cost of the work, with five units installed will be substantially in excess even of your estimates of

\$65,000,000 submitted to us in our conference in October last. In the opinion of the Government this indicated an exceedingly grave situation". Had you in the meantime received figures which lead you to conclude that the total cost of completion would be in excess of \$65,000,000?

A-- We had checked up the Commission's advances, and when this letter came to me I felt it was time to total up the total expenditure; in fact I kept track of it very closely at all times. We found a total of \$63,000,000 had been expended or advanced up to February 1st. I had in mind the estimate given on October 12th as \$55,000,000 and it looked to me as if the additional would run it to \$70,000,000 and I was fearful that the estimates were being exceeded once more.

Q-- I think the \$65,000,000 includes deducting salvage?

A-- Yes, that was pointed out later.

Q-- The \$55,000,000 did not? A-- Yes.

Q-- "In the opinion of the Government this indicates an exceedingly grave situation. Under the circumstances we desire to be fully and reliably informed as to the estimated cost at the present time of the completion of the first five units and to be assured as to the propriety of the expenditure and the efficiency with which the work had been carried on". Then you turn to the letter of December 17th, In your letter of December 17th " Pursuant to a promise made by you to the Government on October 12th you submit certain reasons for the increased reasons in the following words :- Difficulties arose in the operation of the new construction plant. The character of the rock excavation changed. The schedule for the completion of the work by the first of September caused unprecedented difficulties in the handling of labour and plant. Further, there were abnormal accidental contingencies, increases in the price of cement and sand, extra plant to be purchased, and obstruction and congestion of the other plant and

and labour due to the late delivery of the steam shovels and the defective operations of the steam shovels and of the canal lining plant, as well as other reasons detailed in the enclosed report of Messrs. Stuart and Kerbaugh". That is a quotation from the letter from the Chairman of December 17th?

A-- Yes.

Q-- What was your view of the explanation at that time?

A-- I thought, and still think it was an inadequate explanation. In the first place, our information was that the price of materials and labour as indicated in the Public Works department had gone down. The schedule, the Hayes schedule, had been abandoned, and frankly, looking over the reports of Stuart and Kerbaugh, they looked more like excuses than reasons, it appeared to me on my judgment. I am not an engineer but looking at it from a common sense viewpoint it appeared to me in that way as they went over the work after it had been done. They had presented excuses rather than reasons. It seemed to me from the fact that when contractors take large contracts - I know nothing about steam shovels - depending on the reliability of the machines, it ought to have been known almost to a yard what they would take out. It seemed to me something must be wrong with the estimates of work and material or this startling discrepancy would not have occurred.

Q-- I see you stated it to the Chairman in this way:

" In the opinion of the Government these reasons afford an inadequate explanation of the increased cost. I would point out to you that most of these difficulties ought to have been foreseen at the time you submitted your estimates to the Government and to the House. In fact, as above set forth, a very liberal amount was included in your estimates to take care of just such contingencies. Further, I would point out to you that during the months intervening between the submission of your estimates and your letter explaining the increased costs,

the cost in general of labour and material had decreased and the schedule for the completion of the work by September 1st had been abandoned. In the opinion of the Government the latter changes in conditions should have tended toward decreased instead of increased cost. "?

A-- That is my opinion yet.

Q-- " In the face of these facts we are led to one of two conclusions, either that you and your engineers did not fully disclose conditions to the Government and to the Legislature when submitting your estimates at the last Session, or in the alternative, either that you were not informed of conditions and the probable cost of the work as you should have been or that there has been extravagance or inefficiency in its carrying on."

A-- That was my position, yes.

Q-- Have you had any information since that changes that?

A-- If, I had, I think, Mr. Howell, this Commission would not be working. I have had no information.

Q-- " In view of the gravity of the situation the Government desires that the whole matter be taken up immediately by the full Commission and that any requisition be endorsed by it before its presentation to the Government. In this connection I would point out that the requisition before me is not as it professes to be pursuant to Section 24 B of the Power Commission Act. Having exhausted the whole of your estimates for the ^{fiscal} year ending 31st October next, you are required by this Section to submit a new estimate for the amount now estimated to be required for that year and the Special Warrant must be for ' the amount estimated to be required'. Until this is done, the Government has no authority to take any action."

That was in response for a request for the additional estimate of \$3,500,000 ? A-- Yes.

Q--What further action did you take ?

A--I sent copies of that letter both to Mr. Miller and to Colonel Carmichael in order that it might be before the full Commission because I was desirous that action on this very important thing should be taken by the full Commission and the action should be endorsed by the full Commission.

Q--Then, I see the Chairman replied to that letter on February 10th; have you that before you ? A--Yes,

Q--Do you know what that refers to ? A--I took that matter up later with Mr. Clarkson, and had him go over it carefully. I have a report somewhere which I will be able to get a little later on.

Q--I think there was some place where that was explained.

A--I can't remember the details Mr. Rowell; I know we got the amounts by checking the amounts that had been authorized through the executive offices for the expenditures on the work, and there was some correction amounting to a little over a million dollars, I have not taken into consideration; I think that is a correct statement.

Q--I think there is approximately \$5,658,000; do you recall that did you check that up ? A--No, I don't think I checked that up at all. I think this was referred to Mr. Clarkson.

Q--Then the Chairman gives a statement of expenditures and so on, in which he brings out the total capital investment to complete, including interest \$68,865,603.03 ?

A--Yes.

Q--From which he deducts estimated salvage \$3,500,000, making a total of \$65,865,603.03 ? A--Yes,

Q--What would be the figure comparable with the \$55,000,000 figure ? A--I take it the \$65,865,603.03 as the Chairman showed it. I am not prepared to

speaking with certainty regarding this as the figures became complicated in time.

Q-- I thought you said the salvage was not deducted from the estimate of \$55,000,000? A-- I think the salvage was not deducted but there was no statement made of salvage at that time. I do not think in the estimate brought to my attention there was an amount for salvage. There was a discussion during the conference at Niagara in 1920 but that was contingent on several things I do not think materialized.

Q-- Mr. Gaby told us he included in the estimate of \$55,000,000 that salvage item, I think? A-- I think in the meantime the rock salvage had disappeared; this was a salvage of plant. For some reason or other the business of selling crushed rock was not gone through with by the Public Works department.

Q-- I understood from Mr. Gaby that the \$55,000,000 in the spring of 1921 was the total expended without any deduction in respect to salvage? A-- If that were the case the sum comparable would be \$68,000,000 instead of \$55,000,000.

Q-- I notice Colonel Carmichael in one of his letters spoke of the estimate being exceeded by fourteen millions, and if you compared the \$55,000,000 with the \$68,000,000 that would be approximately \$14,000,000. I don't know whether that is what he had in mind.

" In October last the gross estimates discussed with you for the completion of five units were \$66,535,810 as compared with \$66,865,603 above shown, while the probable net amount was estimated in October last at about sixty-five million as compared with \$65,603,365 above shown. The estimate discussed in October did not include interest for the year 1922. The interest to complete and the salvage estimated to be recovered during the construction period extended to the same date will be approximately

" the same. It is anticipated that the return from the salvage on the construction plant, buildings and stores to be ultimately recovered will exceed by a considerable amount the salvage estimated to be recovered during the construction period.

(5). Every care was taken to have the best possible estimates obtained, and the employment of Messrs. Stuart and Kerbaugh and Messrs. Lea and Johnson for that purpose was approved by the Government, and as explained in the material already ~~explained~~ forwarded to you, the increased costs over the estimates of 1921 were due to causes justifiably unforeseen."

Q-- What do you say as to the employment of Stuart and Kerbaugh and Lea and Johnson having been approved by the Government? A-- The Government was never consulted. It was not the business of the Government to consider the engineers to be employed by the Hydro Commission. In the matter of Mr. Cooper, out of courtesy, I communicated with the War Office at Washington, as head of the Government asking the War Office for their approval of his character and ability, but I have never held it was for the Government to superintend the employment of engineers. The Commission is responsible to the Government and ought to be responsible for the employment of their own engineers.

Q-- (6) " I might here say that all conditions known to me or to the Commission's engineers were fully disposed to the Government.

(7) The form of the requisition submitted was the same as has been previously submitted and acted upon, but in accordance with your request an estimate is herewith submitted in detail, which estimate was approved by a full meeting of the Commission today."

Did that letter satisfy you? A-- No, there was a little

further discussion. On February 16th, that would be prior to the meeting of the House, which met, I think, on February 14th -- on February 16th I replied to Sir Adam saying :-

(Reads letter dated February 16th, 1922.)

That was done. I don't know that there is any special significance in that. The Government held owing to the situation, we should insist on the letter of the law being lived up to, as we thought it was not being lived up to.

Q-- You decided instead of dealing with the matter by a treasury Warrant to submit it to the House? A-- Yes.

Q-- Then, on March 3rd the interim vote was submitted to the House for \$3,500,000 and Colonel Carmichael made a statement in the House in reference to his position, and he told us this morning that at that time he tendered his resignation? A-- Yes.

Q-- What action did you take in reference to that?

A-- I have taken no action at all; I filed Colonel Carmichael's resignation, but I have not acted upon it.

Q-- I think you have already told us you have not received, or have you received, from the Chairman, or any member of the Commission any further explanation than that contained in the Chairman's letters to which you have now referred, and the Stuart, Kerbaugh explanation contained in the letter?

A-- No, I have received no further explanation.

Q-- What action did the Government then take on the situation?

A-- We then considered the appointing of a Commission to inquire into the matter. As you are aware the matter was under discussion in the House for sometime and it was at first suggested that we should use a Committee of the House to make an inquiry. On thinking the matter over I came to the conclusion such a Committee could not function properly; we could not get men of the proper standing and qualifications, and it would be better to investigate by Royal Commission, than by a Committee of the House; the appointment of the Commission followed.

Q-- You spoke of the discontinuance of the rush schedule; when did it come to your knowledge that the Commission was acting upon a rush schedule? A-- That they were acting upon it.

Q-- Or had adopted it, or were you consulted about their adopting it? A-- I think it was a matter of opinion that the estimates as submitted to the House included the rush schedule.

Q-- The estimate of fifty-five million? A-- Yes.

Q-- Included the rush schedule? A-- Yes.

Q-- I notice in the Stuart and Kerbaugh report in which they give their estimate of \$49,000,000 without any deductions they report that if a certain procedure is adopted the two units can be ready for operation on September 1st?

A-- Yes, that was the rush schedule.

Q-- What was your attitude when the explanation was given that the increased cost was the rush schedule?

A-- Of course I held that the estimates had been passed in the first place upon the rush schedule and saw no reason why the estimates should be increased which had already been passed upon, by the adoption of the rush schedule.

Q-- Then, were you informed by the Commission as to why they adopted the rush schedule? A-- That had to do with the taking over of the Toronto Street Railway service largely. I was told the demand for power was urgent but the particular reason was the taking over ^{of} the Toronto Street Railway system and to get power for that.

Q-- When were you told that the rush schedule had been abandoned? A-- Some time during July or August of 1921.

Q-- What was the occasion; were you informed of the reason for the abandonment of the rush schedule? A-- It was abandoned partly because the night shifts were not efficient and partly because of the agreement in connection with the clean-up deal made it unnecessary to continue. They were assured of their

supply of power for that purpose.

Q-- I notice Mr. Drury that at a certain date, in fact, almost immediately after your Government was formed, the administration of the Hydro Electric Commission was transferred from the Attorney General to you.

Q-- I see an Order-in-Council dated the 22nd October, 1920;--

" Upon recommendation of the Honourable Attorney General....

pursuant to Sections 3 and 5, Chapter 13, R.S.O. the administration of the Hydro Electric Power Commission be assigned to the control of the Prime Minister".

A-- Yes.

Q-- In addition to being Prime Minister you were a Minister specially charged? A-- Yes, I made recommendations.

Q-- You were responsible to your colleagues for the making of recommendations in connection with expenditures and work of the Commission.

Q-- Then I see that the estimate that was put through during the Session of 1922 contained a provision covering the expenditures for that year; a treasurer's warrant was then asked? A-- Yes, last autumn, I think so.

Q-- I see that in a communication from the Chairman of the Commission, dated October 24, 1922, to you as Prime Minister he states :

" I beg to inform you that after a careful analysis of the Commission's expenditure on capital account as applied to the several votes and sub divisions thereof for the fiscal year, ending October 31, 1922, it is stated that appropriations pertaining to certain sub items have become exhausted, and as it is necessary and expedient that the work relating shall be proceeded with I respectfully request that the additional monies required as listed in the following tabulation be appropriated as provided for under the Power Commission, Act, Section 24 B 10-11, Geo. C. c. 18, s. 4."

Then there are certain items relating to the Queenston-Chippawa development.

" It is estimated that the amount of interest to be capitalized on the Queenston-Chippawa development, not included in the 1922 estimate will approximate \$2,000,000 of which sum the Commission will have received through the above estimations, approximately \$930,000 on this account, leaving a balance of \$1,070,000."

Did you issue a treasury warrant to cover that? A-- Yes, the warrants were issued in compliance.

Q-- I see an Order-in-Council of the 30th October was passed covering that additional amount? A-- Yes.

EXHIBIT NO. 50 : Filed by Hon. : Order-in-
: Mr. Rowell, : Council, dated
: April 3, 1923. : October 30th.

Q-- Have you received any further estimates for the present year yet? A-- No, I have received no estimates for this year yet. I would perhaps have to correct that. Mr. Wallis informs me there are some in the supplementary estimates; it had slipped my mind that there was a further estimate submitted for the completion of the units, but these are sums that were submitted in 1922 and were not used. They are re-votes. Number one is \$700,000 for the Queenston units one to five; Vote number two \$1,190,000; they were in each case re-votes. The further votes in the supplementaries are for the further units, and so they do not apply.

Q-- Item No. 115 is that a re-vote? A-- It is on page 34 of the supplementary estimate; that is not an additional amount asked.

Q-- You have no request up to date for any further estimate for the Queenston-Chippawa development for this year?

A-- No.

HON. MR. LUCAS: There are possibly two or three items can be made clearer if I ask you two or three questions so as not

to get it lost in the volume of the evidence that is going in. Commencing at the Niagara conference you went there with what estimate before you. A-- The estimate before me Mr. Lucas was \$40,000,000.

Q-- The immediate cause of the Niagara conference was the Cooper estimate? A-- Yes.

Q-- Which placed it at \$66,000,000? A-- Yes.

Q-- Perhaps if you speak of it as \$65,000,000 we will not confuse the rough figures; you had the ^{Cooper} report and that naturally caused -

A-- A good deal of alarm, yes.

Q-- The Cooper report, Mr. Drury, was the cause as you have put it; the question of cost was not emphasized in the discussion? A-- No, the credibility of the Cooper report.

Q-- The feasibility of their scheme was more or less attacked in the Cooper report? A-- As to the intake that was dealt with at the conference.

Q-- And as to the time for completion? A-- Yes.

Q-- He anticipated it would not be completed until when?

A-- 1923, I think it was.

Q-- He rather thought the power house was going to slip into the river? A-- He did, yes.

Q-- These as you recall them are the leading objections to the scheme? A-- Yes.

Q-- As you say they were being generally discussed at that time, and the question of the \$65,000,000 cost was not the point that was being emphasized? A-- No.

Q-- Now, results have shown, as far as we can judge them today, that he was wrong on everything except the costs; I mean the intake was adopted so far as anybody can judge up to date? A-- It is not built yet; I remember particularly the objection to the intake in Mr. Cooper's report was the fingers projected under the river and the slits on top would

become filled with drift gravel and ice coming down. I suppose it cannot be said whether that is justified. You were perhaps a little too soon ^{in saying} that the question of the creditability of the Cooper report in regard to cost was not discussed. It was discussed to this extent that the unit costs were taken up and it was shown calculated on the unit costs, we could not place much dependence upon it. With a definite estimate before us, we could do something, and we were promised further reports.

Q-- Your recollection is that the Stuart report, the result of his report was not before you? A-- My memory only serves me in this, it was recognized the \$40,000,000 be exceeded but by no such sum as mentioned in the Cooper report.

Q-- The detailed estimates came at a later date, as submitted to you by the Hydro engineers at \$55,000,000? A-- Yes. The Stuart and Kerbaugh estimate of \$49,000,000 with a further addition to take care of anything unforeseen to make it doubly sure to bring it to \$55,000,000.

Q-- You observe that the letter from the Commission of December 10th says the \$5,000,000 was added to cover items other than contingencies? A-- Yes.

Q-- Do you agree with that? A-- I am not in a position to agree with that, as I do not know what contingencies meant in the Kerbaugh report.

Q-- That report finally reaches you, and in the summer following it comes to your knowledge that these estimates are being exceeded? A-- Yes.

Q-- And the conference and communications you have referred to took place? A-- Yes.

Q-- I think you reached the Session of 1922 when you found your estimates exceeded? A-- Yes.

Q-- You found the estimate of sixty-five or sixty-six million, ten or eleven million of an excess? A-- Yes.

Q-- Your real grievance which gives rise to the appointment of the Commission is the exceeding of the \$55,000,000 ?

A-- Well, I think you are putting words in my mouth, I wouldn't say that; it is not a matter of grievance at all, but as I take it, we must continue, and will continue Hydro Electric work. I want to find out whether the estimates submitted are such as can be relied upon. If they are not such as can be relied upon we want to find out why they cannot be relied upon. I want to find out whether the method of work is economical and if it is not economical, what is most economical. I take it that the public development of our water powers must proceed on correct estimates and efficient work and the whole success of the project depends upon that.

Q-- Your view was that there has not yet been any good explanation to you of the difference between fifty-five and sixty-five million? A-- No explanation that would warrant me in assuming that there was the requisite efficiency, either on work or on estimates.

Q-- One of the two things must be wrong? A-- Either the estimates are wrong or the work is wrong.

Q-- Either the estimates are wrong or there is inefficiency in the work? A-- Yes.

Q-- You have, of course, the explanation of Mr. Stuart as to the increase from fifty-five to sixty-five million? A-- Yes.

Q-- You have the explanation of Mr. Lea so far as he covered his branch of the case? A-- Yes.

Q-- And of Mr. Kerbaugh and of Mr. Johnson so far as they touched these features; none of these have satisfied you that the reasons are legitimate? A-- They are to me like an excuse after it was done rather than a proper reason.

Q-- Have you had any other reports as to the cost than these reports of the engineers that have been submitted and referred to here. A-- No, I have not.

Q-- It is your own unprofessional judgment as a layman

A-- As the Minister responsible for these expenditures.

Q-- You should have something more than the reports of these engineers. A-- No, I wouldn't say that; I feel I ought to have something more than the reports as submitted. The increased cost of material and labour was not borne out when I compared the amounts with the Public Works.

Q-- I notice in a statement of yours, Mr. Drury, that you say they ought to have known all about the rock they had to cut? A-- It appesred to me a very peculiar coincidence when I went over the matter a little later. I did give a good deal of study to this as a layman, with Mr. Cooper's cost, per yard, of rock, and they were almost borne out to the cent with the actual cost that was incurred, and it appeared to me if one engineer could know what the character of the rock could be, that other engineers ought to know, but I suppose doctors differ; it is a very strange coincidence.

Q-- The work has actually been performed because if we accept that term it is within the Cooper estimate?

A-- Well, you are putting words in my mouth.

Q-- You explain it. A-- One of two alternatives seems to me to be conclusive. We must reach one of the two decisions, either the estimates were wrong or the work was inefficient. Now, to my mind the proper working of the Electric system depends on accuracy of estimates. The Government must determine and must be in a position to determine whether power at cost is possible because the success of the undertaking does not depend merely upon adopting a principle, but depends upon this, that the money which the Province puts into the development must assure that the power can be sold to the people to pay carrying charges. We want to know whether estimates can be depended upon. If the estimate part is wrong we want to know it, on the other hand, if the estimates are correct and the operating is wrong, we want to know that. That applies to the

constructive work of the Hydro Electric in the future. If we find the method of doing the work in the Chippawa, is not efficient we must take care that it is not done in other cases. I take this stand as a responsible member of the Commission and must answer for the requisitions.

Q-- What margin would you give in the case of an estimate as a reasonable thing of an engineer? A-- It would depend upon circumstances.

Q-- These engineers have outlined the circumstances in this case? A-- No, they have gone over the thing after and given reasons.

Q-- They have given sworn evidence under oath? A-- Yes.

Q-- And they have told you in their opinion - Mr. Stuart a man of international reputation - told you his judgment was that ten or eleven million dollars was not excessive in his estimate under the circumstances of this contract.

A-- There is more than ten or eleven million; Mr. Kerbaugh's estimate was \$49,000,000;

Q-- The Hydro engineers estimated fifty-five million?

A-- Which was made up of an estimate, and an added sum to take care of unforeseen things which we thought were adequate at the time.

Q-- I do not want to go into details, you see Sir Adam's and the engineers report of February 10th, five million was added to the Kerbaugh report to cover items other than ---

HON. MR. ROWELL: February 10th, what year?

HON. MR. LUCAS: 1922.

HON. MR. ROWELL: That is a year after the estimates.

HON. MR. LUCAS: They are explaining what the five million--

HON. MR. ROWELL: It is a year after the five million estimate was given.

HON. MR. LUCAS: I do not want to go into details, I am only dealing with the general procedure after they submitted

to you and Colonel Carmichael submitted to the House an estimate of fifty-five million to complete the work; a year later you have sixty-five millions; then four engineers have given their explanations, and you do not accept them; that is really the whole story? A-- I suppose that is right.

Q-- We are now trying to find out through this Commission why they did not make accurate estimates, or if there was good ground for exceeding the estimates? A-- I suppose so, yes, one of the things. We want to find out which of the two things was wrong.

Q-- The inference of course, will be, if Mr. Cooper gave a poor estimate and we built it within it, we are good contractors, but poor estimators? A-- That might be and that might be quite as vital as being poor estimators and good contractors.

Q-- There was some suggestion at one time that Mr. Cooper should take this contract over and do the work?

A-- I never heard of it, Kerbaugh.

Q-- No, Mr. Cooper? A-- No.

Q-- I may be wrong, but I don't think I am. A-- I never heard of it.

Q-- I think we have it down to a fairly simple issue, Mr. Stuart told you that he thought the cost was justified and he gave his reasons, but you won't accept them, and that is the end of it? A-- Mr. Lucas, there is not an issue of such a sort as you are driving, as you are outlining. The Government is not seeking to persecute the Commission or to place the blame, but we are seeking information for our future guidance. We want to know, because we are anticipating further developments, and we are not making developments, if we cannot depend upon estimates. To my mind it is not a safe thing that a Public ownership project should be too readily attempted. It would not be a safe thing if a public ownership enterprise were constructed by methods which added to the cost.

Q-- The Cooper estimate did not look good to you as you read it, Mr. Drury? A-- How did you mean, didn't look good to me?

Q-- You did not accept it. A-- I was not in a position any more than you are, either to accept or object. I am a layman when it comes to engineering matters, but I was taken at the invitation of the Chairman, and met four reputable engineers with the Hydro engineers and they gave me the reasons which at the time I thought sufficient to approve of the Cooper estimate. I might point out the reasons were based upon the costs which had been realized up to the time of the conference. Mr. Cooper's report was perhaps a little stronger than it was realized. After that higher unit cost had been taken into consideration, and I am not prepared to say the conference justified me in accepting it.

Q-- Would this be a fair report of your views as the press reported it? A-- They likely would not be if it is in the press.

Q-- Having gone over the reports in this way, and having given it as much study as we possibly could, we came to the conclusion that the chances for its ultimate success were a good many times greater than its ultimate failure?

A-- Yes, that is correct.

Q-- Premier Drury knocked the report into a cocked hat?

A-- That is not correct.

Q-- You think that is too optimistic a report? A-- I told the Legislature we were given reasons, which, in my opinion, justified us in disregarding the Cooper report. We were asking the House to accept estimates much below the Cooper estimates, and I told the House that the reasons given me at the conference made me feel justified in supporting the estimates then placed before the House rather than in the Cooper report.

Q-- You said the chances are they were much more favourable to accept lower than higher?

A-- Yes. •

Q-- It was a question of chance of that kind?

A-- Yes.

(Proceedings stand adjourned at 4.55 p.m. Tuesday,
April 3rd, 1923, until Wednesday, April 4th, 1923,
at 2.30 p.m.)
